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20 APRIL 1987

USSR REPORT

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 12, December 1986

[Translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.]

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ENGLISH SUMMARY OF MAJOR ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 158-159

[Text] V. Vladimirov and Yu. Fedorov in their article "Strength of Policy but not a Policy of Strength" draw attention to an epoch-making event of world importance. Seventy years ago the Great October Revolution determined the image of the 20th century. Past nearly seven decades unquestionably confirm that it marked a radical, fundamental turn in human history. Lenin's Decree on Peace now on the threshold of the third millennium acquires an altogether new and richer meaning. The confirmation to it are the Soviet proposals of January 15, 1986 on eliminating nuclear weapons worldwide by the 2000 which fully meet the demands of the times. The article maintains that one can not win not only in a nuclear war but in the arms race. That is why the building of international security is ever more turning from a military and technical task into a political one. This task must be solved only through political means. The changes in current world affairs are so deep-going and significant that they require reassessment and comprehensive analysis of all factors. The situation created by the nuclear confrontation calls for new approaches, methods and forms of relations between different social systems, states and regions. The authors note that the fundamentals of an all-embracing system of international security, the most generalized expression of the Soviet Union's new approaches in foreign policy formulated at the 27th congress, constitute a policy of new thinking of the Soviet Union. The article evaluates the results of the Soviet-American meeting in Reykjavik where far-reaching proposals were made by the USSR for the main issues of world policy--the ending of the arms race and nuclear disarmament--and stresses that the Soviet proposals still stand as a package, as a set of problems reflecting the existing realities of the world.

In late August and early September the heads of state and government of the nonaligned countries met in Harare, the Zimbabwean capital, for their eighth conference. Y. Alimov in the article "Important Contribution to the Struggle for Peace and Progress" emphasizes that problems of promoting peace and disarmament topped the Harare summit agenda. The important international forum centred also on the situation in the south of Africa and the deteriorating economic situation in the developing countries. The author arrives at the conclusion that on certain issues the nonaligned movement's stand has invigorated and become more concrete. Its place on the world arena has become

more clear-cut. The article points out that the participants discussed special forms of material and financial aid to the African National Congress (ANC) and the South West Africa People's Organization (SWAPO). The article shows the negative reaction of the USA and some other countries of the West to the conference on the one hand and the positive response of the USSR to its result on the other. The Harare conference, its decisions have greatly contributed to the shaping of a new political thinking, corresponding to the reality of the nuclear age. These decisions are consonant with the line of the Soviet Union on the elimination of the threat of a world war, a just settlement of regional conflicts ensuring the rights of peoples for free and independent development, economic independence and equal international cooperation.

V. Sukhov in the article "The Humanist Mission of UNESCO" notes the major results of UNESCO's activity in the 40 years of its existence. The author considers the historical conditions which led to the establishment of the specialized UN agency right after World War II. Over four decades UNESCO has covered a long path from a mainly educational organization with limited aims and tasks to an authoritative universal international organization, introducing a ponderable contribution within the framework of its jurisdiction to the solution of large in scale, global problems which worry now the entire world community. The author shows the role of the Soviet Union and other socialist and developing countries which by their activities have instrumented in turning UNESCO into an universal international organization capable of doing away not only with illiteracy, but developing scientific and technical cooperation, preserving the world cultural legacy and contributing to peace, disarmament and struggle against the arms race. Uniting the scientists and prominent men of education and culture all over the world by placing powerful intellectual potential at the disposal of all states and assisting the peoples in their struggle for peace, progress and socioeconomic development by means of establishing just international relations UNESCO has by right deserved the title of "world laboratory of ideas". The author criticizes the USA and some of its allies for attacking UNESCO for the sake of their selfish interests to make the Organization change its present course.

The foreign economic policy of U.S. imperialism is now marked by a growing interest towards the international trade of services. The intensified development of this sphere of the U.S. foreign expansion is stated in American governmental papers, cited and referred to in U.S. statesmen's declarations. The USA emphasizes that the international trade of services soon will become the most dynamic and promising domain of world economic relations. The USA insisted in including this issue on the agenda of the GATT recurrent round of the multinational negotiations which began in September 1986. S. Chebanov in the article "The U.S. 'Invisible' Trade in the 80's" indicates that the trade in services is not something principally new. International transport, communication, credit, insurance and the like were always an inseparable part of the world market. However, the postwar period is characterized by a drastic increase of such trade which nowadays accounts for roughly 18 percent of the world commercial turnover, averaging about \$400 billion annually. The main focus of the article is the description of the new qualitative features of the international trade in services. S. Chebanov traces the origins of the so-called "special interests" of the U.S. monopolies in this sector of international trade. He reveals the essence of the U.S. appeals to liberalize

world trade, assesses the marging of this liberalization. American foreign policy becomes more and more aggressive demanding liberty of transborder transactions of American corporations and exerting economic pressure on counterparts through the multilateral negotiations mechanism. The reasoning in the article is backed by statistical data presented in tables.

Acute contradictions, sudden turns, tragic events characteristic of the postwar history of the developing countries demand a theoretical comprehension of the socio-historical transition taking place there. In this part of the world a slow, arduous but uninterrupted process of socioeconomic transformations is under way in the life of the nations composing the majority of mankind. However, this transition is advancing along two socio-alternative lines of development. A number of countries are oriented toward socialism. Important changes are also happening on the capitalist oriented pole of the developing world. V. Sheynis in the article "Peculiarities and Problems of Capitalism in Developing Countries" while disputing the "thesis about the limits of capitalism" in developing countries shows the basic factors confirming the existence there of the capitalist mode of production, the historical peculiarities of the given process, its acceleration and broadening in the seventies and eighties. The development of capitalism is simultaneously taking place at different levels (market, private-monopolistic and state regulation) covering all phases of reproduction, the growing share of the gross domestic product and increasing contingents of the labor force. The intricate socioeconomic contradictions in the very developing countries, the conflict between the centers and the periphery of world capitalism as its new echelons move forward acquire qualitatively new features.

The editorial board of the journal is publishing with the forward by the Academician Ye.M. Primakov the address delivered by Robert S. McNamara, former U.S. Defense Minister, at the "Mainichi" newspaper sponsored seminar in October in Osaka (Japan). The seminar was devoted to the gravest problems facing civilization at the turn of the century. In "Blundering into Disaster: the First Century of the Nuclear Age" Mr McNamara concentrates on his estimation of the state of the U.S. and USSR military-strategic balance and presents certain ideas able, from his point of view, to avert the nuclear catastrophe. He believes that both countries need a vision of long-term goals for nuclear force levels military strategy and arms control agreements that will have as their objective minimizing the risk of nuclear war. Any confrontation can escalate through miscalculation into military conflict. Mr McNamara notes that the world is on the verge of a dramatic escalation of the arms race--an escalation to levels that will be more and more difficult, if not impossible, to control. He confirmed that the East-West military rivalry is, of course, a function of the political conflict that divides the two blocks; that the West--North America, Western Europe and Japan--lacks an agreed conceptual framework for the management of relations with the USSR and its allies. He said that the West needs a coherent, widely supported policy rooted in reality. This dialogue, he believes, needs to be broad-based, multifaceted and continuous. Mr McNamara makes his view of the SDI clear: this program is not a key to solve the crucial problems of international security.

He reaffirmed that the arms negotiations in Geneva now under way can lay the foundation for entering the 21st century with a totally different nuclear strategy, one of mutual security instead of war-fighting.

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SDI, REYKJAVIK, EUROPEAN ISSUES REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNIYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 3-12

[Article by V. Vladimirov, Yu. Fedorov: "Strength of Policy, Not 'Policy of Strength'"]

[Excerpts] The Soviet-American top-level meeting in Reykjavik was a special kind of event. Even the short period of time which has elapsed since then has shown the need for assertiveness and forbearance in international affairs and the importance of a quest for bold, nontraditional approaches to the solution of the cardinal problems on which the fate of mankind depends.

At the same time the meeting was a kind of touchstone of the policy of the two biggest powers and a clear indicator of who's who in world politics. The Soviet Union advanced radical plans for a sharp, balanced reduction in nuclear potentials and subsequently their elimination in a short timeframe, given full observance of the principle of equivalent security. The United States, on the other hand, guided by a policy of undermining the military-strategic balance and achieving military superiority, made the cornerstone defense of the SDI--the "star wars" program--thereby graphically confirming the policy of the militarization of space, and attempted to arrogate to itself the "right" to build new types of lethal weapons of aggression, in other words, the "right" to blackmail the Soviet Union and the whole world. This position has erected the main barrier in the way of radical nuclear disarmament. The truth, taken thereby to its logical conclusion, is that SDI has barred the path to cardinal changes in all spheres of the life of human society, having shown itself to be a concentrated expression of militarism and the principal instrument of the imperial, hegemonist ambitions of U.S. ruling circles. A truly great historic opportunity--to reach the frontiers of a nuclear-free world--was lost owing to the "superman hypnosis" inherent in Washington. An in-depth and accurate analysis of what happened in Reykjavik and the reasons for what occurred has been made in M.S. Gorbachev's speeches.

The talks between the heads of the foreign policy departments of the USSR and the United States which were held approximately a month after the meeting in Vienna revealed the desire of the American side to withdraw completely from the Reykjavik frontiers. We have every right to evaluate the United States' "new" position as a mixture of old views and approaches with the concessions

to which the USSR agreed in the Icelandic capital within the framework of its proposed package. But it is, after all, a question, as the Soviet side emphasizes, not of a "package of conditions" but of a "compromise package". As a whole the United States is essentially retreating from the mutual understanding reached in Reykjavik.

At the same time, however, the lessons of Reykjavik also permit other conclusions. Accords leading to nuclear disarmament are possible. The struggle for a nuclear-free world has reached new, higher frontiers, from which it is essential to continue to conduct an active peace offensive along all axes. Hopes of the achievement of mutually acceptable, fundamentally important accords have a real foundation.

"Displaying a sincere aspiration to the achievement of an accord," the CPSU Central Committee Politburo observed on 14 October 1986, "the Soviet side submitted new compromise proposals, which took fully into consideration the concern of the American side and made possible an agreement on such most important questions as a reduction in and subsequently the complete elimination of strategic offensive arms and the destruction of intermediate-range missiles in Europe. Implementation of these proposals would afford an opportunity for an abrupt turnabout in the development of international relations, removal of the nuclear threat and the development of the peaceful cooperation of all members of the world community."

The world community valued highly the role which our country performed in Reykjavik. "The Soviet Union," the Japanese ASAHI, for example, wrote, "has truly made nuclear disarmament the main emphasis of its policy, and its efforts on this issue are visible to all." Such is a most important result of the practical embodiment of the principles of the new political thinking, primarily the understanding that the security of the USSR and the United States can only be mutual.

The Soviet proposals pertaining to a reduction in and subsequently elimination of offensive nuclear arms have become an organic part of a single package with questions of strengthening the terms of the ABM Treaty and prohibiting nuclear tests. Such a comprehensive approach reflects the actual interconnections which exist in the modern world.

The Soviet leadership firmly stated in Reykjavik the need for strict compliance with the ABM Treaty of unlimited duration signed in 1972 and, in addition, consolidation of the conditions created by this fundamentally important document of international law. It is a question of the USSR and the United States assuming the mutual undertaking not to avail themselves of the right to withdraw from the treaty for at least 10 years and thereby strictly comply with all its provisions. Particular mention was made of the importance of the fact that the research, development and testing conducted in this period within the "strategic defense initiative" framework not go beyond the confines of laboratories and, what is most important, not be conducted in space. The mechanism guarding strategic stability would thereby be reliably protected.

At the same time, however, political realism demands consideration of all the sides and aspects of the processes occurring on the international scene and the long-term consequences of what is occurring today in world politics, primarily in the sphere of military-political relations.

Particular significance is attached today to the interconnections between defensive and offensive strategic arms recorded in the ABM Treaty. Its preamble emphasizes as clearly as can be that "effective measures to limit ABM systems would be an appreciable factor in curbing the strategic offensive arms race and would lead to a lessening of the danger of the outbreak of a war with nuclear weapons" (1).

The U.S. Administration was unable to find within itself the political courage and realism to embark in practice on the path leading to a nuclear-free world. In response to the Soviet Union's compromise proposals dictated by a sense of general responsibility, President R. Reagan merely reiterated the well-known American propositions, whose purpose is to justify the "star wars" program and gradually devalue the ABM Treaty. "The President," the prominent politician Sen G. Hart emphasized, "let slip an exceptional opportunity to conclude an astonishing arms control agreement and as a result has boxed us into a corner for the sake of defense of a program which is theoretical in the extreme and extremely costly and which is incapable of proving its usefulness before the end of the century at least. It seems to me that history will show that this was a mistake on his part."

The White House is reiterating incessantly currently that realization of the "strategic defense initiative" will make America invulnerable and ensure reliable defense against Soviet strategic ballistic missiles. Let us even assume that such a system can be built, although the most authoritative specialists in various branches of science deny such a possibility. Not only the laws of military-political logic but also simply common sense suggest that the invulnerability and security of the United States--as of all other states--may be secured far more reliably, rapidly and cheaply by way of the elimination of strategic arms than by the deployment sometime in the future of an antimissile system whose efficiency gives rise to more than considerable doubt. "I am concerned," Sen J. Biden declared, "at the decision to let slip a real opportunity to do away with a large part of the Soviet nuclear arsenal. Instead, the administration is insisting on spending huge resources on the development of an untested, unproven defense system which, it is claimed, pursues the same goal--the elimination of nuclear arms."

The present leadership of the United States has declared repeatedly that without the "strategic defense initiative" peoples of all countries are condemned to remain forever "nuclear hostages". Upon his return from Reykjavik President R. Reagan said yet again that only "SDI is the key to a world without nuclear weapons." The results of the Soviet-American summit in October 1986 testify precisely to the reverse. They show as obviously as can be that it is adherence to the "star wars" program which is blocking movement toward mankind's genuine deliverance from the Damocles' sword of nuclear catastrophe.

After Reykjavik this cannot be denied even by the politicians of the West who can by no means be attributed to the ranks of supporters of the peace

movement. Thus A. Haig, who was U.S. Secretary of State at the start of the 1980's, observed that "the SDI program, which was conceived of as a 'means of deliverance from nuclear weapons,' has now become the main obstacle in the way of an unprecedented reduction in nuclear arms." And the Japanese newspaper MAINICHI reasonably inquires: "It will be interesting to see whether the Americans can now repeat their previous assertions that 'it was SDI which forced the USSR to approach the negotiations seriously'. After all, the negotiations in Reykjavik showed that as long as Reagan cherishes and promotes with the fervor of a religious fanatic his strategic defense initiative, reaching agreement not only in respect of intermediate-range missiles but also strategic arms will be impossible."

The supporters of the "strategic defense initiative" are unwilling to take the path prompted by a sense of responsibility and common sense. They are attempting to acquire security by designing some "wonder weapon," orienting themselves, as before, toward military strength (space-based now) as the alpha and omega of policy. Thus they are endeavoring to conserve obsolete military-political tenets which are fundamentally contrary to the realities of the era. History, however, has shown repeatedly and very convincingly that nostalgic aspirations and the political doctrines based on them cannot provide an adequate response to the challenges of the present and the future.

At the start of 1986 Pentagon boss C. Weinberger proclaimed: "We must emphatically expand the number of contested directions. We must develop profoundly conceived strategies using the areas in which the United States has a natural and confirmed advantage. Where possible, we must adopt strategic concepts which would lead to Soviet investments in defense proving outdated. We must create programs to which an effective Soviet response will prove far more costly than the expenditure on our programs" (2).

Such concepts and, to a large extent all modern American strategic thinking, also are based on the illusory premise concerning the alleged scientific and technological lag of the Soviet Union behind the United States. In reality, however, as M.S. Gorbachev emphasized, "there is nothing that the United States could make that we could not. But we are opposed to such an option, we are opposed to the absurd American arms logic. For us a ban on space-based strike arms is not a problem of fear of being left behind but one of responsibility" (3).

Incidentally, a more sober view is taking shape in the United States itself also--not least on the basis of an analysis of the results of Reykjavik. Thus the influential NEW YORK TIMES writes: "The administration's position is dictated by the chase after the illusion of possible superiority, it is provocative and damaging America itself since it is leading to an acceleration of the arms race, the cost and danger of which can be compared merely with its futility."

Against this background the position of some West European leaders on nuclear disarmament issues is all the more puzzling. When, following the Reykjavik meeting, there finally emerged a real opportunity for delivering the continent from missiles, some capitals suddenly began to talk about the need to maintain the "American nuclear weapons" and "nuclear umbrella" in Europe and to defend

their "privileges" of nuclear status zealously and intimidate themselves and their transatlantic partner with the "East's overwhelming superiority" in conventional arms. They are not stopping short even of accusing the Reagan administration of negotiating with the USSR "over the heads of the allies" on problems of decisive importance for the latter. And according to the reports of the London correspondent of THE WASHINGTON POST, H. Kohl and M. Thatcher "are apprehensive about the foreign policy consequences of the top-level meeting" inasmuch as "the notion of a world without nuclear weapons which originated in Reykjavik would in 10 years be more in keeping with the position of political opponents than with the policy of their conservative governments."

Some political leaders are evidently not yet ready to think in the categories of a nuclear-free Europe--and precisely at a moment when a turning point in the continent's movement in this direction has clearly come to light.

It is appropriate to recall in this connection M.S. Gorbachev's words addressed to Europe: "Europeans can only preserve their home and make it better and safer collectively, abiding by the prudent rules of international communication and cooperation." Such a reminder would appear particularly pertinent now if it is considered that the majority of Europeans, defending the continent's vital interests, are, following Reykjavik, multiplying their efforts to achieve Europe's genuine security and its complete deliverance from nuclear weapons.

More than any other continent, densely populated, arms-saturated Europe is vulnerable in the event of any armed conflict, nuclear all the more so. The socialist countries strove persistently to ensure that the final document of the Stockholm Conference on Confidence-Building Measures, Security and Disarmament specify and enshrine the principles of the nonuse or threat of force. Soviet diplomacy has long-standing traditions and tremendous experience of work in this field. They go back to the historic period of the struggle for the formulation and signing of a convention on the definition of aggression in the first half of the 1930's and even further--to the first acts of diplomacy and actions of the young Soviet state.

The meeting which has begun in Vienna is intended, utilizing the results of the Stockholm Conference, to pave the way toward the next stage, at which it will be a question of a reduction in armed forces and conventional arms in Europe. A solution of this complex, but vitally important problem could be based on the substantial foundation of the proposals and initiatives advanced earlier. The most essential of these is the proposal of the Warsaw Pact participants addressed to the NATO states, which formulates a comprehensive program of major reductions in armed forces and arms in Europe--from the Atlantic to the Ural range.

An innovative approach is necessary also in the search for new forms of cooperation and the international division of labor in Europe. There is no doubt that the international political situation on the continent depends more than lastly on the intensity and depth of cooperation in such spheres as economics, science, technology and environmental protection. New impetus, new methods and new initiatives are needed here.

Engaged in a dynamic reconstruction of the economy and the all-around acceleration of the country's socioeconomic development, the Soviet Union actively aspires to the more efficient use of the mutual complementarity of the economies of the countries of East and West and the freeing of economic relations from any kind of artificial restriction.

Opportunities for constructive solutions are being afforded in each sphere of international relations in Europe. This applies also to the question of human rights and basic liberties. The well-known results of the meeting of human rights experts in Bern demonstrated graphically who in reality is opposed to all-European cooperation in the protection and affirmation of human rights. The United States did not stop short at counterposing itself to all the other Bern conferees and blocked the adoption of the final document providing for an appreciable advance along the path of interaction and cooperation. Despite this, the Soviet Union declared its readiness to be guided in practice on humanitarian issues by the draft of this document.

In addition, on 5 November 1986, at the opening of the Vienna meeting, the USSR submitted a proposal concerning the convening of a representative conference of participants in the All-European Conference on a whole complex of issues, including contacts between people and questions of information, culture and education, and proposed that it be held in Moscow. It was thereby demonstrated convincingly that the Soviet Union regards as an indivisible whole the democratization of interstate relations and social life in each country. This is new evidence of the profoundest democratism and humanism of the Soviet socialist social system.

Entering upon the 70th anniversary of the Great October--a major event in the history of our country and the entire revolutionary movement--we must be prepared to ensure that such a significant date imparts, as the report at the ceremonial meeting devoted to the 69th anniversary of the Great October Socialist Revolution on 6 November 1986 emphasized, new intensity to the most acute ideological and political struggle being conducted in the world concerning the fate of world development, confront anew the arguments "for" and "against" socialism and, what is more--there can be no doubt--that at the center of attention be not only what our country has already achieved but also how it is solving its problems currently.

Our Leninist foreign policy expresses the vital interests, goals and humanitarian ideals of Soviet society and the Soviet people. Its significance, influence and authority on the international scene will depend to a decisive extent on our successes in communist building and on how the concept of acceleration of the economic and social development of the socialist state is realized. Shock labor is the surest guarantee of a strengthening of the international positions of the socialist motherland and a consolidation of peace in the world.

Speaking at the Kremlin reception on 7 November 1986, M.S. Gorbachev emphasized: "Now, after Reykjavik, a new situation has come about in international relations. There is no turning back. And the way ahead lies only through new political thinking and through recognition of the realities of the

current diversity of a contradictory and integral world demanding respect for each people's choice and their right to independence and their own voice in world affairs. It is from these positions, the positions of our 27th congress, that we are acting and will continue to act in international affairs. Fear in the face of war must be removed from life forever in order that the insanity of militarism be cast aside.... The birth of our revolution and our state was inspired by the great ideas of social justice, progress and peace. We will continue to act in the name of this."

FOOTNOTES

1. "The Soviet Union in the Struggle for Disarmament. Collection of Documents," Moscow, 1977, pp 111-112.
2. "Report of the Secretary of Defense Caspar W. Weinberger to the Congress on the FY 1987 Budget, FY 1988 Authorization Request and FY 1987-1991 Defense Programs," February 5, 1986, Washington, p 86.
3. PRAVDA, 9 April 1986.

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ROLE OF SERVICES EXPORTS IN U.S. ECONOMY

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[Article by S. Chebanov: "The United States' 'Invisible' Trade in the 1980's"]

[Text] Increased interest in international services exchange has in recent years increasingly manifestly been a new element of American imperialism's foreign economic policy. The development of this area of foreign economic expansion is discussed in government documents and statements of official representatives of the United States. Asserting that trade in services would shortly be a most dynamic and promising sphere of world-economic relations, the United States insisted on the inclusion of the services problem on the agenda of the latest round of multilateral negotiations within the GATT framework which opened in September 1986.

The trade in services or, as it is frequently called, "invisible" trade is not something that is new in principle. International transportation, communications, credit and insurance have always constituted an inalienable part of the world market. However, the postwar period, particularly recent decades, has been characterized by a sharp expansion of the international exchange of services, which now constitutes approximately 18 percent of the aggregate turnover of goods and services on the world capitalist market or, in absolute terms, roughly \$400 billion. What is happening in international services exchange, what are the qualitatively new features of its development? Where are the roots of the American monopolies' "special interests"? What is concealed behind the appeals for a liberalization of international exchange and what are its limits? How is the attention of U.S. monopoly capital to expansion along service export lines refracted in the foreign economic policy pursued by the government and how is this reflected in the international trade-political situation? An examination of the said questions would seem pertinent in the light of the strategic course formulated by the 27th CPSU Congress toward the maximum use of world experience, the international division of labor and the latest forms and directions of foreign economic relations for our country's accomplishment of major national economic tasks and a strengthening of the world-economic and foreign policy positions of the socialist community.

Factors, Scale and Singularities of the Internationalization of the Service Sphere

The new stage of the S&T revolution which developed at the end of the 1970's is laying the objective foundations for a change in the appearance of the economies of individual countries, an expansion of the possibilities of the international division of labor, the appearance and rapid growth of new forms and facilities of international economic relations and the even closer interweaving of foreign economic activity with domestic economic development. Under the conditions of the world capitalist economy the unstable state of many traditional spheres of world-economic relations, primarily commodity trade, is compelling a search for different spheres and forms of exchange.

An analysis of international services trade is made considerably more difficult in view of the absence of a common methodology and information which is detailed in any way, pertaining to specific types of economic activity.

In capitalist countries' regular statistics services represent an important section of the balances of payments, into which practically all current transactions of a non-trade nature are "thrown". Three main groups of items are distinguished: private commercial services, long-term investment income transfers and government establishment international transactions. When it is a question of international services trade, only the first group of items should be examined essentially. However, bourgeois economists also include here income from investments, interpreting in accordance with the not-known "production factors" theory the export of capital as a service. Sometimes data pertaining to the section as a whole are taken, and in this case expenditures on the upkeep of overseas military bases and so forth, for example, are attributed to "invisible" trade. Consequently, evaluation of the scale, dynamics and significance of services both in the world economy and for individual countries depends considerably on the choice of items (1).

In current international services exchange, attention is called primarily to the appreciable expansion of the list of transactions incorporated here. The statistics of international payments testify that in the 1980's the main place in the structure of inter-country private commercial services exchange has been occupied not by their traditional forms--"transport" and "travel"--but "other services". They account for up to 7.5 percent of the total turnover of goods and services on the world market (compared with 6 percent and 4.5 percent for the first two respectively). Whence it ensues that a process of the accelerated enlistment in international turnover of new types of services--that is, those which previously were practiced mainly at the local and national levels or were not distinguished as independent sectors at all--is under way.

The report "The American Service Industry on the World Market: Current Problems and Future Policy," which was put out back in 1976 by the U.S. Commerce Department, distinguished 18 sectors for which foreign economic transactions are acquiring increasingly appreciable significance. Cited among them, together with maritime and air transport and hotel and restaurant industry, were banking and insurance, overseas construction, engineering-design development (engineering), the long-term lease of industrial and

transport equipment (leasing), consultation on the organization and management of production, accounting, advertising, legal and medical services, brokerage in manpower employment and in the retail trade sphere (franchising) and, finally, data transmission and processing services based on the latest global telecommunications facilities and computers.

What unites this relatively motley set of types of activity differing appreciably in terms of its content, closeness of ties to traditional spheres of foreign economic transactions and material production and place and role in the reproduction process? The most important thing here, evidently, is the fact that these types of activity go beyond the framework of the conventional international services supporting circulation on a world market scale.

We are dealing essentially with sectors which are directly incorporated in the production mechanisms of individual countries, which predetermines the far greater influence of the foreign economic transactions effected within their framework on the state of the national economies and governments' economic policy. First, the commercial realization of progressive types of technology and the latest methods of production organization and management is realized in the form of the export of services. This applies to overseas construction, engineering, leasing and managerial and information services appreciably supplementing the direct sale of patents, licenses and knowhow. Second, the new types of services are intended to fill the "gaps" arising on the world capitalist market owing to the changes in the structure of the international division of labor occurring currently and on account of the disproportionality and uneven development of different countries and sectors immanently inherent therein. Third, the most promising segment of the capitalist market--trade in the most intricate high-science products--cannot grow without a developed system of international service. Also important is the fact that the export of services is attended, as a rule, by the establishment of long-term contacts between the contracting parties.

A process which has already assumed pronounced proportions in the most developed Western countries, primarily the United States, is essentially acquiring an international dimension. A set of sectors of so-called "business" (or "professional") services, that is, services rendered production and becoming a part not of final but intermediate consumption, has become quite clearly distinguished in their economic structures. The expansion of these sectors has led to their having become in the main capitalist countries, together with the newest high-science sectors of material production, distinctive islets of growth distinguished against the background of the general instability of economic conditions and the degradation of a number of traditional sectors (2).

This phenomenon requires political-economic analysis. An important regularity of economic development--the growth of the role of nonmaterial production--can be traced therein. K. Marx saw this as a result and simultaneously condition of the progress of the productive forces, which "ultimately always amounts to the social nature of active labor, the division of labor within society and the development of intellectual labor" (3). "Not only is a division of labor taking place but also a rejection of particular production itself in the form of labor of new use value" (4) is occurring.

A process of the gemmation from material production of a number of types of activity which earlier were directly built into it has now clearly come to light. This becomes possible and necessary at a certain level of S&T development and the socialization of production. A particular infrastructure ensuring the necessary link between individual parts of the gigantically grown reproduction systems and the flexibility of their functioning is being created. As a result the appearance of new forms and areas of the social division of labor at the national and subsequently international level is becoming a fact also.

An infrastructure of international production, where the principal character is transnational monopoly capital, is essentially taking shape currently. The internationalization of an expanding circle of service sphere sectors points to the continued deepening and diversification of channels of the interaction of the states participating in world-economic exchange. To understand the contradictions arising here it is important, however, not to lose sight of the fact that the interests of capital, which is constantly on the lookout for new profitable spheres of investment, are the direct driving force of the internationalization of the services sphere. International service exchange is becoming an arena of bitter competition and a subject of governments' close attention. Considerable differences in the extent of the interest in and specific approaches of individual countries to the development of international service exchange and serious contradictions pertaining to the question of the nature and scale of state intervention in this sphere are now being manifested already.

'Special Interests' of the United States

American official representatives usually justify the attention to problems of the development of international service trade by the fact that the United States is a major supplier of services on the world market, primarily of the latest types of business services.

In terms of the absolute scale of exports of private commercial services the United States is undoubtedly ahead of other countries, but is inferior to them in terms of its relative importance in GNP and aggregate exports (see Table 1). There can be no simple explanation. It is important to consider the differences in the structure of the export of services (as distinct from the United States, income from foreign tourism and not from services of a production nature is the biggest item in many countries). In Washington this situation is interpreted as evidence that the export potential of American service industry is not being realized in full owing to the restrictive policy of other countries.

The trend toward a reduction in the surplus balance in the trade in services which has been observed throughout recent years is seen in the same channel: whereas in 1980 it amounted to \$6 billion, in 1985 it constituted only \$200 million (given a growth in the export of services to \$45.1 billion). Given the huge commodity trade deficit--it is expected to be at a level of \$170 billion in 1986--services are one of the few means of equalizing the balance of payments. For this reason American companies' expansion along service

Table 1

Export of Services from Developed Capitalist Countries of the West (1980)

	Export of private commercial services (\$, bill.)	Comm. exports (\$, bill.)	Services balance (\$, bill.)	Ratio of export of services to GNP	Ratio of export of services to Comm. exports
United States	34.9	224.3	6.0	1.4	15.6
Great Britain	34.2	110.9	9.8	6.5	30.9
France	33	107.6	5.5	5.1	30.7
FRG	31.9	185.5	-17.9	3.9	17.2
Italy	22.4	76.8	6.2	5.7	29.2
Japan	18.9	126.8	-13.4	1.8	14.9
Netherlands	17.7	67.5	0.2	10.5	26.2
Belgium	14.5	55.2	0.5	12.1	26.3
Spain	11.7	20.5	6.3	5.6	56.9
Austria	10.8	17.2	5.1	14.0	62.6
Switzerland	8.4	29.3	1.9	8.3	28.9

Source: BULLETIN CS No 11, 1985, p 12.

export lines is defined as a central point of the United States' foreign economic policy in the 1980's.

In American scholarly circles the change toward services is being underpinned by conceptual constructions. Data on the constant growth of the significance of services within the American economy (5) is being interpreted as evidence of a growing specialization in services and a shift hither of the "comparative advantages" determining the United States' place in the international division of labor. It is asserted that the United States is the pioneer in the transition to a type of economy in which the central role is coming to be performed by the "tertiary" sector and that this is inevitably being reflected in the sum total of factors determining the United States' competitiveness on the world market. What we have essentially are rehashes of the post-industrial economy concepts which were well known back in the 1960's. The difference being merely the fact that a conclusion is now being drawn concerning the need for foreign economic relations to be brought into line with the changing structure of the American economy. For this reason, it is said, it is essential to clear a field of activity for the U.S. corporations based on a liberalization of the international services market (6).

Services are seen in the United States not only as an independent area of foreign economic relations but also as a means of "boosting" commodity exports. The proposition concerning the interweaving of the trade in commodities and services pertains primarily to intricate, high-science products. The results of a survey conducted by the U.S. Foreign Trade Commission gives an idea of the scale of the connection of the export of services and the export of commodities.

Table 2.

Interconnection of Exports of Services and Commodity Exports of the United States (1981)

	Income from exports of services (\$, bill.)	Comm. exports conditioned by exports of a given type of service (\$, billions)
Construction, equipment installation	5.6	22.4
Consultation and management	1.0	5.5
Computer services and data processing	3.0	0.22
Equipment leasing	13.4	0.06
Franchising	2.7	0.01

Source: J.F. Rada, "Information Technology and Services," ILO, Geneva, 1986, p 24.

In some cases this connection is appreciable (see Table 2). In addition, even when it is impossible to determine the direct stimulating effect quantitatively, its indirect influence is indisputable in all instances (banking services, advertising and film lending even).

However, fully understanding the significance of the export of services in the current foreign economic strategy of the United States is impossible without ascertainment of the role which is performed here by transnational capital. The export of capital in the form of direct overseas investments has in the postwar period been a pivotal component of the foreign economic strategy of U.S. imperialism. The interests of the industrial and banking monopolies, which have overstepped national boundaries, have become determinants in the formulation of the priorities and reference points of official policy. U.S. statistics contain no data on the scale of the involvement of American transnational corporations and banks in international transactions in the sphere of services, but there are data testifying that the extent of the services which they realize overseas is exceptionally great.

As the American expert (I. Krevis) estimates, the income of American companies from overseas activity in the services sphere in 1980 amounted to \$600 billion (given exports of services of \$35 billion). There are also other figures (closer to reality, apparently--\$150-200 billion) (7). Without going into the nuances of the methodology of the calculations, we would emphasize that it is in any event a question of magnitudes of an order higher than the volume of the export of services proper reflected in the balance of payments. Under these conditions the interests of the TNC's overseas activity are inevitably proving a central and most substantial factor determining the U.S. Government's approach to problems of the international exchange of services.

"The U.S. Administration has defined services as a most important priority of its foreign economic policy under the pressure of American Express and other giants of international financial services," JOURNAL OF COMMERCE, the organ of business circles, candidly acknowledges. The biggest U.S. banks are creating

vast networks of operational interbank communications based on the application of the most modern computerized data processing and transmission facilities. For example, Chase Manhattan maintains electronic communications with 350 banks in West Europe and with more than 1,000 in other countries. "Such a scale of transactions is our main advantage," F. Jacquinto, vice president of the bank, declares.

Nonbank establishments of the United States--insurance companies, pension funds and other institutional investors--are orienting themselves increasingly toward an expansion of international business. In other words, the appetites of the financial monopolies are no longer confined to international currency-credit transactions but are targeted at the internal finances of other countries. Foreign stock exchanges, consumer credit, personal insurance and a number of other sectors whose functioning previously did not, as a rule, go beyond the framework of individual national economies are becoming targets of the expansion (8).

International transactions in the services sphere are becoming increasingly important for the American industrial TNC. Leasing, engineering, construction-contract work, managerial contracts, accounting, the sale of patents and licenses, personnel training and employment and product sale brokerage are expanding appreciably the arsenal of weapons of penetration of other countries' economy and act as an addition and sometimes alternative to the main form of expansion--direct investment. Particularly impressive is the growth of international transactions in the sphere of information. American giants of the electronics business already obtain a considerable proportion of their income from the sale of computer software, data-computer services and so forth. An extensive network of "data banks" of specialized information firms (McGraw-Hill, Standard and Poor, Data Resources and others) is functioning in close connection with the leading banks and industrial corporations of the United States and, in the majority of cases, under their financial control also (9).

Capture of the leading positions in the sphere of international data business is clearly regarded by U.S. ruling circles as a priority direction of expansion. And it is a question, it would seem, not simply of a profitable and rapidly growing area of capital investment. The goal that is being set is that of ensuring the viability of the overseas economic empire which has been created by U.S. transnational monopoly capital based on the export of capital. Oriented toward intensive exploitation of information technology providing the material basis for the realization on the world market of an increasingly extensive list of various services, the American monopolies are diversifying the forms of their presence in the economies of other countries and control of the "second economy" which they have created.

There are already examples of the United States' use of channels of information dependence for putting pressure on other countries and subordinating them to its aggressive foreign economic and foreign policy course. Thus in 1982 on the instructions of the U.S. Government the headquarters of the American Dressner (sic) Industries TNC suspended support from the central data bank in Dallas for its French affiliate Dressner-France. This step was connected with the "punitive" measures in respect of France,

which had refused to subordinate itself to U.S. pressure in connection with the embargo on supplies to the USSR of equipment for the gas pipeline. The production activity of Dressner-France was paralyzed for some time, and the company lost a number of contracts.

The United States' policy of expansion in the sphere of "invisible" trade has deep roots and is an important component of the entire present foreign economic strategy of American imperialism, the assault force of which is transnational monopoly capital. The purpose and focus of the American calls for a liberalization of international services exchange should be seen from these standpoints.

The Liberalization Slogan

Liberalization is a broad concept employed to describe the scale and thrust of government intervention in private-capitalist management, particularly in the sphere of international economic relations. Bourgeois economic theory, as a rule, counterposes liberalization to protectionism. Liberalization is identified with the state removing itself from the sphere of the competitive relations of private firms. The primitivism of such ideas and their failure to correspond to the actual practice of state-monopoly management are obvious. Protectionism and liberalization are dialectically interconnected. "...The question of protectionism and free trade is a question BETWEEN businessmen (sometimes between businessmen of different countries, sometimes between various factions of businessmen of a given country)"--these words of Lenin's are a key to an understanding of the complex picture of capitalist countries' foreign economic policy under current conditions also (10).

Bourgeois experts are unanimous in the opinion that the service sphere is a more regulated sphere of the economy than the commodity-producing sectors. It is emphasized that "at the national level the services sector has long been a target of government intervention and regulation differing considerably in terms of extent and content from what is the case in material production" (11). The regulating role of the state here appears in diverse and frequently camouflaged forms.

Many reasons may be cited for this. The West usually speaks of the need to "regulate" competition inasmuch as a tremendous number of small business enterprises operates in the services sphere. The main thing, however, is the great economic and, sometimes, sociopolitical significance of the sectors incorporated here, to which should be added the traditional attention of governments to the functioning of the economic infrastructure. "Problems of regulation in these complex, sometimes barely distinguishable sectors of the economy... go far beyond the framework of traditional commercial considerations, affecting questions of culture, protection of privacy and national security. The sectors incorporated here are extremely heterogeneous, and the restrictions which exist therein frequently do not allow for comparison," the American experts M. Aho and J. Aronson emphasize (12). Many regulatory standards, rules and procedures are elaborated not at the national

but local level, which creates a certain vagueness for foreign suppliers, not to mention the instances where their participation is directly prohibited or limited from considerations of economic sovereignty.

An important point also is the extensive spread in the services sphere of the majority of countries of state ownership. The nationalized sector is of particular significance for developing countries implementing national economic growth programs.

The American monopolies are hastening to portray such a situation as an infringement of the possibilities of realizing their competitive advantages connected with the possession of state-of-the-art technology in the business services sectors. As portrayed by the American "free trade" disciples, international services exchange is now enmeshed in innumerable restrictions reminiscent of the nontariff barriers in conventional commodity trade. They are diverse and elusive, and the "requirements concerning the quota of local personnel and the content of the services rendered, restrictions on the acquisition of property, currency control and discriminatory tax policy may serve" (13) as examples. "Currently only the United States and to a lesser extent Canada, Great Britain and Japan," M. Aho and J. Aronson complain, "are attempting to ensure greater competition in certain services sectors (the reference being mainly to the sphere of telecommunications--S.Ch.), whereas other countries are continuing to provide these services by means of state monopoly" (14). The conclusion is drawn on these grounds concerning the need for the creation of some rules of "fair" competition between firms of the state and private sectors.

The question of a liberalization of the trade in services affects a broad range of aspects of domestic economic policy. This is where it differs from commodity trade, where until recently the main problem was standardization of measures of border regulation, customs tariffs primarily. Whence the pessimism expressed by many Western, including American, scholars in connection with the prospects of a liberalization of the trade in services. It is observed that "the trade in services is of no less significance from the viewpoint of an increase in the global efficiency of the capitalist economy than commodity trade. However, the degree of state intervention has been primordially high here. A lowering of barriers, many of which are not in practice quantitatively assessable, will require solid efforts at the negotiations and the maximum flexibility of their participants. Considering the universal economic recession and growth of protectionism on the commodity markets, it is extremely doubtful that the governments will consent to this" (15).

For the same reason optimistic assessments of the possibility of the application to the trade in services of the already existing rules and procedures of GATT developed for commodity exchange are rarely encountered. As F. Roessler, an employee of the GATT Secretariat, acknowledges, "although the purpose of GATT was market integration, there have been practically no attempts as yet to harmonize intervention within markets.... The facts testify with what reluctance the members are consenting to the assumption of specific and clear commitments which would go beyond the framework of customary border measures" (16). Such reluctance is perfectly logical under the conditions of the serious instability of the world-economic situation characteristic of the

1980's, the exacerbation of competition on the world market and the increased power of the transnational corporations and banks. Correspondingly, the problem of a liberalization of the international trade in services cannot fail to be of a politically acute nature and is becoming one further knot of trade-political contradictions between capitalist countries, primarily between the leading imperialist powers of the West headed by the United States on the one hand and the bulk of developing countries on the other.

The persistence of American official representatives on services issues is increasing inasmuch as the possibility of a tightening of national control measures exists. Analyzing the state of affairs in a rapidly growing area of the international exchange of services--the trade in computer software--OECD experts are predicting that "in view of the growing importance of the services sphere, particularly the trade in computer programs, from the viewpoint of national technology, the creation of jobs and the growth of the material production sectors, more restrictive approaches could appear in government policy in this sphere" (17).

The reason, the American scholar H. Malmgren acknowledges, is that "the new forms of business in the services sphere are undermining the adequacy of many types of government intervention, as a consequence of which regulation policy is now being reviewed in practically all countries" (18). The main object of the review is the transmission internationally of diverse economic, financial, S&T and commercial information. The principal characters in the sphere of international information science are the transnational corporations and banks creating integrated managerial systems which are providing for a qualitatively new level of the concentration and centralization of capital and efficient control of production, financial, marketing and other operations being performed simultaneously in many countries. Under the conditions of the extreme instability and rapid changes on the world capitalist market growing significance is attached to data banks operating on an international scale--storing and making available to their clients current commercial, financial and S&T information, forecasts of economic conditions and so forth. In this sphere the American monopolies have captured the dominating positions (19). Such a situation predetermines the appreciable difference of the approaches of the United States and the majority of other countries to its regulation. No government wants to let slip from its control the development of a national information sector--as being strategically important for preserving the commanding positions in its own economy, not lagging behind in the world technology race and digging in. in more profitable and promising areas of the international division of labor.

The question of a liberalization of "invisible" trade thus turns not on the freedom of international exchange but the sovereignty of the economic policy of individual countries, which predetermines the deep-seated nature of the disagreements which have already been discerned here and their inseparable connection with the entire panoply of contradictions immanent to the world capitalist economy.

Policy of Pressure

The American monopolies' interest in expansion along service lines is expressed in a number of practical steps of the U.S. Government.

The most noticeable arena of its activity is, as mentioned, GATT. Having initiated the new round of multilateral negotiations, the United States also imposed an agenda most corresponding to its own interests, having included thereon the question of services.

The developing countries rightly discern in the liberalization of "invisible" trade slogan a threat to economic sovereignty, which is already infringed by the omnipotence of Western corporations and banks. Their representatives emphasize that under conditions where progressive sectors of the economic infrastructure arentatives emphasize that under conditions where progressive sectors of the economic infrastructure are the dependence on Western, primarily American, capital. Even bourgeois experts cannot close their eyes to such a situation. "The developing countries are obviously right to believe that the United States and, together with it, West Europe and Japan wish in actual fact to achieve more liberal conditions for their foreign investments, under the banner of free trade," THE FINANCIAL TIMES, the paper of British business circles, writes. Another element of the position of the developing countries, which is championed the most actively by Brazil and India, is that before submitting new questions for discussion in GATT the imperialist countries should comply with the commitments which they assumed earlier, specifically, pertaining to stabilization of the developing countries' raw material exports and their industrial commodities' increased access to Western markets.

Having its own way, the United States is employing outright blackmail. The main trump card is the threat to abandon altogether participation in multilateral forms of the regulation of world-economic relations and switch its foreign economic policy to the tracks of "bilateralism" and "reciprocity". In respect of the developing countries the approach is even more high-handed. Thus during the colloquium in Delhi at the end of 1985 of the Group of 77, whose purpose was to formulate the position of the countries which are a part thereof on questions of the international trade in services, the United States warned India, Brazil, Nigeria, Egypt and a number of other countries that they would lose tariff preferences if they failed to remove the objections to the United States' proposals pertaining to services trade. Even now, foreseeing that the main contradictions connected with the problem of regulation of the services sphere will run along a North-South line, U.S. representatives are declaring that agreements in this sphere will be concluded in a narrow range of industrially developed states. That is, it is a question of a continuation of the tactics of the Tokyo Round, where questions of principle were settled in the United States--West Europe--Japan triangle. For the same reason, the United States is rejecting the proposals of certain developing countries concerning the discussion of problems of services not in GATT but in UNCTAD, where the decision-making mechanism is of a more democratic nature.

It is important to emphasize that behind the smokescreen of the proposals concerning a liberation of international services trade, the United States has

throughout recent years been purposefully implementing unilateral measures to secure the American monopolies' expansion in this sphere. Changes are being made to legislation regulating foreign economic policy. The 1974 Trade Act even incorporated a provision providing for punitive actions in response to any restrictions on the export of services from the United States. The 1984 Tariffs and Trade Act contains a separate article concerning services. The law controlling foreign investments, which is now called the Foreign Investment and Services Trade Control Act, has been modified. The significance which the present administration attaches to the export of services is shown by the United States' action program in the sphere of trade policy for the 1980's (1985).

For practical study of the corresponding issues a special services department has been set up in the U.S. Commerce Department. In other words, it is a question of the United States getting down in earnest to the laying of the legislative and administrative foundation for the pursuit of an active policy of stimulating the expansion of American firms along service lines without waiting for the results of the multilateral discussion of problems of liberalization in GATT.

A concrete form of realization of the measures to stimulate the export of services is the expanding practice of linking this question with the most acute problems of bilateral relations with individual countries. Countries with the biggest surplus commodity trade balance with the United States are as yet the main target. Threatening to close off the American market, the U.S. Administration is forcing trade competitors to consent to concessions in the service sphere.

Thus within the framework of measures to limit trade-economic contradictions with the United States, Japan is opening up its service market somewhat. The Japanese Government included in the action program in the sphere of import policy announced in the summer of 1985 a promise to permit foreign law offices to open up in the country, afford foreign insurance companies national conditions and also authorize foreign participation in freight motor transport firms and those of information business operating at the local level. At the start of 1986 the American Merrill Lynch financial firm became the first non-Japanese firm to acquire a seat on the Tokyo Stock Exchange. Clearly, all these concessions are intended to ease the discontent of the American monopolies retreating under the pressure of Japanese firms in the traditional spheres of competitive struggle.

The U.S. Government's increased attention to the problem of protection of the rights of intellectual property is also undoubtedly connected with the policy of an increase in exports of the latest types of business services. The Economic Report of the President emphasized that "protection of intellectual property is of increasingly great importance for the United States" (20). In the service sphere, as in the production of high-technology products also, the role of nonmaterial resources (knowhow, experience, skills and so forth) is extraordinarily high, and the United States has clearly set itself the task of preventing an erosion of the monopoly possession of such resources, primarily in the sphere of information science. Not confining itself to proposals concerning a discussion of this question at the new round of multilateral

trade negotiations, the U.S. Government is taking practical steps to support the interests of its monopolies. As of 1984 the Commerce Department has been implementing a special program to counteract "piratical" actions in respect of American intellectual property. Legislation concerning the protection of copyright to computer programs is being revised on Taiwan under direct U.S. pressure. The United States is demanding the same of, for example, South Korea and Mexico.

The United States' assertiveness in questions of international services trade characteristic of recent years constitutes an essential element of the strategy of adaptation to the new conditions and trends of world-economic development. The essence of the proposals concerning liberalization in this sphere is clearing a field for the activity of the United States' transnational monopoly capital and uncovering potential for an expansion of its control over the foreign economic empire which it has created. The hope is to capture monopoly positions in the newest sectors of nonmaterial production and make this a factor of a strengthening of the international economic positions of American imperialism. The long-term policy of U.S. ruling circles of the maximum use to their benefit of the objective process of an intensification of the internationalization of economic life can be traced here, as in other spheres.

However, the prospects for liberalization are as yet nugatory. The endeavor of American official representatives to portray the problems of the international trade in services as determining the future development of the world market is not meeting with the desired response in other countries. The opinion expressed by THE FINANCIAL TIMES would seem quite typical in this respect: "...Liberalization of service trade is an important problem. However, in view of the inevitability of the restrictions which exist here and its relatively small share of international exchange, it does not merit the priority being given it by the United States.... So many conventional commodities--from farm products through video cassettes--are as yet unliberalized that fastening on services trade would mean expecting the world trade system to develop more rapidly than is in fact possible."

Under such conditions the United States' use of the question of services in the tactical plane is moving to the fore--as one further means of pressure on other countries and of obtaining economic and political concessions from them. To judge by everything, the practice of unilateral actions and linkages will be extended, affecting an increasingly wide circle of countries and acting as an integral part of the policy adopted by the United States in the 1980's of the increased aggressiveness of foreign economic policy. Such a policy, which is designed to "adapt" the development of the world market to the selfish and narrowly egotistical interests of the United States' transnational capital, cannot fail to lead to a destabilization of world-economic relations, a deterioration in the trade-political situation and a growth of centers of new contradictions in the foreign economic sphere of capitalism.

FOOTNOTES

1. It is appropriate to mention also that the very concept of "international trade" with respect to services is largely of a conditional nature. In traditional trade there is quite a precise criterion of an international transaction--a commodity's crossing of a border, which is recorded at the customs house. An appreciable proportion of services, on the other hand, comes under the statistics of international settlements without going beyond the confines of one country (various services made available on one's own territory to foreigners). The proportion of such exports of services runs as high as one-third of the total volume and constituted in 1980, for example, approximately \$140 billion of the \$350 billion of the international turnover of private commercial services (see THE WORLD ECONOMY, March 1985, p 30).
2. For more detail see MEMO No 9, 1985, pp 67-78.
3. K. Marx and F. Engels, "Works," vol 25, pt I, p 93.
4. Ibid., vol 46, pt I, p 386.
5. Truly, merely in the period 1973-1983 American statistics recorded an increase in the proportion of services in the GNP from 51.5 to 54.1 percent, and in the total numbers of persons with jobs, from 61.8 to 66.7 percent.
6. The question of the significance of services for maintaining the world-economic positions of American imperialism is closely connected with the problem of "de-industrialization" being discussed in business, scholarly and government circles of the United States. It is giving rise to sharp debate inasmuch as it concerns determination of domestic and foreign economic strategy. Serious doubts are being expressed in connection with the fact that services, granted all their significance, will be able to substitute for traditional forms of expansion.
7. See J.F. Rada, "Information Technology and Services," ILO, Geneva, 1986, p 25; THE WORLD ECONOMY, March 1985, p 30.
8. For example, the international interweaving of financial markets is increasingly going beyond the framework of individual relations. Specifically, as of April 1986 the American stock price accounting system (NASDAQ) has incorporated information on 300 British and other companies registered on the London Stock Exchange, to which, in turn, data on 280 American corporations is transmitted (see U.S. NEWS AND WORLD REPORT, 24 March 1986, p 52).
9. For more detail see "Transborder Data Flows: Access to the International On-Line Database Market," United Nations, New York, 1983.
10. V.I. Lenin, "Complete Works," vol 2, p 190.
11. THE WORLD ECONOMY, December 1984, p 377.
12. M. Aho, J.D. Aronson, "Trade Talks: America Better Listen!" New York, 1985, p 43.

13. BUSINESS AMERICA, 14 October 1985, p 13.
14. M. Aho, J.D. Aronson, Op. cit., p 147.
15. WELTWIRTSCHAFTLICHES ARCHIV, Heft 1, 1985, p 145.
16. THE WORLD ECONOMY, September 1985, p 292.
17. "Software: An Emerging Industry," OECD, Paris, 1985, p 157.
18. THE WORLD ECONOMY, March 1985, p 17.
19. At the start of the 1980's the Teamnet and Telenet intercontinental information systems accounted for almost four-fifths of the total transborder data flow.
20. "Economic Report of the President," Washington, 1986, p 123.

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SHEYNIS STRESSES STRENGTH OF CAPITALISM IN THIRD WORLD

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 50-66

[Article by V. Sheynis: "Singularities and Problems of Capitalism in the Developing Countries"*)]

[Text] The acute contradictions, abrupt and unexpected changes and tragic events with which the postwar history of the developing countries is so packed insistently demand a theoretical interpretation of the socio-historical transition being accomplished here. A look in the long-term retrospective enables us to see the most common trend. "A slow, difficult, but unstoppable process of socioeconomic transformations in the life of peoples constituting the majority of mankind is occurring," the 27th party congress observed, in this part of the world. However, it is occurring in two socially alternative directions of development. A number of developing countries have opted for a socialist orientation, which is enabling them to resist the pressure of imperialism vigorously, overcome some of the unpleasant outside influences and conduct a search for socioeconomic solutions on historically new paths. Important changes are also occurring at the capitalistically oriented pole of the developing world. What are the essence and prospects of the socioeconomic changes in this, preponderant, part of the developing countries?

Once More on the 'Boundaries of Capitalism' in the Developing Countries (1)

The problems and prospects of countries whose development has proceeded in the channel of capitalism have repeatedly been the subject of theoretical discussion. The ideas which have been predominant until recently were established in our scholarly literature as a result of the debates of the 1970's. To the question asked by A.I. Levkovskiy in 1974: is capitalism capable of "surmounting multistrukture and achieving the formational phase of development?" and that reiterated in a different version by L.I. Reysner in 1978: "is a transition from a structure to the capitalist mode of production possible" (2), an answer in the negative was reproduced time and again. It was asserted that capitalism "will not be the predominant formation in the developing world," more, "a PROGRESSIVE (my emphasis--V.Sh.) narrowing of the very framework in which the formation of the given mode of production is altogether possible" (3) is occurring. Analyzing the capitalist structures which have taken shape or been implanted on the periphery of the world

capitalist economy and the socioeconomic environment into which these structures have been built, many specialists have reached the conclusion concerning their "histological incompatibility" and emphasized the "conservatism of the multistrukture economy and its stagnant nature and limited capacity for evolution" (4). Capitalist relationships are growing, many participants in the discussion have acknowledged, however, but they are not fated "to evolve into a particular historical era of social production in the developing countries" (5). Scholars have been unable, of course, to ignore either the relatively lengthy probationary period or the relatively advanced capitalist transformation in Latin America, but here also capitalism, they believe, is coming up against "limits of growth" (6).

Capitalism's lack of a future and its incapacity for effecting system-formation, in the economy of oriental countries, in any event, have sometimes been directly linked with the nature of the modern era: "In terms of the big historical picture" capitalism here "is without a program subjectively and disproportionate objectively.... In our era, the basic feature of which is the revolutionary transition to socialism, the capitalist development of Afro-Asian countries can merely be a separate, partial movement and deviation from the mean type and mean pace of world progress" (7).

Such was the position of the majority of the participants in the discussion of the 1970's. The oft-repeated hypothesis according to which only a "deformed," "waning" capitalism could and would become established in countries of the developing world (all or with a few exceptions) and that its development here would come up against sharply drawn boundaries frequently came to be perceived as a proven theorem, acquired an independent life to a certain extent and is being reproduced in many works.

There is no doubt that conditions seriously complicating the development of capitalism on the periphery of the world capitalist economy and accompanying such development with the accumulation of new difficult problems on top of the legacy of the precolonial and colonial past really exist, and their evolution merits the closest attention. Nonetheless, the proposition concerning "boundaries" of the capitalist mode of production in the developing world is unconvincing on at least four grounds.

First, in accentuating attention on the obstacles it absolutizes them to a certain extent and fails to include in the analysis the countertrend and frequently quite powerful factors affirming and not blocking capitalism in the developing world.

Second, the "inferiority" and "sickly nature" of capitalism in the "third world" are frequently deduced from the fact that it is compared "straight out" with the highly developed capitalism of the centers of the system, which is taken as the standard. The comparison is made either with phases of the capitalist formation historically covered by the West or with its current phase, and in both versions the comparison is not to the advantage of peripheral capitalism. However, in the first case the path of European capitalism is seen to be more straight and progressive, the mechanisms more spontaneous and the economic structure as a whole more organic and integral than was the case in reality. In the theoretical model of contemporary capitalism, on the other

hand, the role of spontaneous-market forces is exaggerated. Finally, it is assumed that the establishment of capitalism may occur, as was the case in the past, merely on the basis of national-country economic complexes.

Third, an "average type and average pace" of the historical movement of large regions of the nonsocialist world in the perspective of the next few decades cannot, in our view, be deduced from the nature of the modern era. It is true that "the liberation revolutions begun by the Great October determine the appearance of the 20th century." But it is also true that, as the 27th CPSU Congress emphasized, "the modern world is complex, diverse and dynamic, imbued with contending trends and full of contradictions. It is a world of most complex alternatives...." Nor has Lenin's idea that in the era of imperialism "capitalism grows immeasurably more rapidly than hitherto," revealing here both its unevenness and profound contradictions (8), lost its significance.

Finally, when the magnitude of the economic discrepancy between the centers and the periphery of capitalism is emphasized, the flaws of spiral "catch-up development" are revealed and attention is called to the "warped" socioeconomic processes on the periphery (9), account is not always taken to the proper extent of the fact that the timeframe of the contemporary history (and not prehistory) of capitalism in the majority of developing countries is only several decades and even less. The sum total of conditions of world development has changed decisively in the latter half of the 20th century and continues to change. For this reason a simple projection to the present day (and to the future even more) of the trends which became settled in the colonial period (and which undoubtedly preserve a certain inertia) leads to a coonfusion of perspective. It should be considered also that the global problem of the developing countries' backwardness is historically unprecedented and that its solution will probably take a very long time on any path of social development.

"Boundaries" of capitalism cannot be deduced from the fact that it is not solving--but complicating at times--these countries' acute problems. Its development is always and everywhere by nature antagonistic and disproportional (although it is not "without a program," particularly now, when relatively powerful centers at the national and international levels realizing a long-term strategy of capitalist development have taken shape). It is, of course, giving rise to profound contradictions. However, contradictions are not only an impediment to but also source of development. By which driving forces this development is directed, which socioeconomic structures it is forming and in what respect it differs from the development of countries which accomplished the transition to capitalism earlier are a different matter. It is this that we will deal with.

Factors of Capitalist Development

At least three main factors (or, more precisely, groups of factors) are intensifying capitalist development in the economy of Afro-Asian and Latin American countries, although the relative roles of these factors and methods of influence change with time.

The first of them is the external environment and the world relations which have taken shape in the soil of the world capitalist economy. The external factor is to a considerable extent depressing capitalist development on the periphery of the system. A considerable proportion of the surplus product created here is confiscated in this form or the other by foreign capital and excluded from the reproduction process where it is created, and important components of this process have been removed from national control. This is manifested particularly distinctly in the activity of the TNC and the debt problem, which has intensified sharply in recent years. All this, however, is just one side of the interaction of the capitalist structures of the centers and the periphery.

The world capitalist system is an extraordinarily complex and contradictory formation and varidirectional trends operate and opposite interests, in the centers of the system included, clash therein. Not simply the exploitation of the developing countries but exploitation corresponding to the modern criteria of intensity corresponds to the objective conditions of the functioning of contemporary state-monopoly capitalism.

In line with the development of the S&T revolution and the growth of economic potential in the developing countries international finance capital has discovered for itself, from scratch, as it were, and begun to develop for itself new spheres of investment: sectors of manufacturing industry (including the high-technology sectors oriented toward both the domestic and foreign markets), the production, commercial and financial infrastructure, recreation and also the diversified sphere of production engineering services and so forth.

In the developed capitalist countries--particularly at the present stage of internationalization of the economy--objective factors are operating, and relatively influential social forces are taking shape on the basis thereof which have an economic and political interest in ensuring that traditional relationships and antediluvian forms of exploitation not be preserved and centers of social conflicts not break out on the periphery. On the contrary, their interests are that there be--and on capitalist paths, moreover--a real uplift of the economic level and expansion of the market, that production corresponding if only in some respect to modern engineering standards function, an influential bourgeois class take shape, social conflicts be smoothed over and so forth. Attempts are being made to formulate and realize a concerted strategy at the interstate level, within the framework of international financial institutions and influential organizations of politicians and scholars. In a generalized form and in the long term plane, this strategy is also oriented toward support for and expansion and not the destruction of centers of capitalist production on the periphery of the system and it is attempting to grope its way toward points of concurrence of interests.

It has to be recognized that a situation has taken shape in the 1980's which is to a large extent less conducive to realization of this strategy than in preceding decades. The available production and consumer potential of the majority of developing countries is inadequately written into the structural reorganization of the world capitalist economy. The intensified competition is

complicating the access of their commodities (including manpower) to the markets of the developed states. The influx of external resources has slowed considerably. The sharp reduction in the rate of economic growth which has been observed almost everywhere in the developing world has reflected the growth of crisis phenomena primarily in the most dynamic sectors--private-capitalist and public.

Nonetheless, it is unlikely that capitalism has already lost, objectively and subjectively, the capacity for extensive economic and social maneuver. It may be assumed that if and when the cyclical upturn in the centers of world capitalism is more stable and prolonged and the debt problem is settled in this way or the other, there will be a more significant restoration of the growth rate in the economy of the developing countries than has been discerned in the mid-1980's, and, consequently, the development of the productive forces in capitalist forms will not only accelerate but will expand its geographic range. It is highly likely that this will not occur in the immediate future and that the "skidding" in the world capitalist economy will continue in this form or the other. The repercussion on the periphery will then be limper also. But the changes which have occurred are, we believe, irreversible, and there is no returning to enclave capitalism, the objective logic of whose movement was entirely in keeping with the preservation of vast areas of precapitalist exploitation.

The so-called "re-industrialization" of the centers will in the long term continue to shape objective conditions for the increasing transfer, to the key countries of the periphery, in any event, of middle--and not only lower--stages of industry. However this process may be impeded by situational difficulties, it is essentially irreversible for it is determined by such core trends of world development as the entry of the S&T revolution into a new stage, the intensification of international economic relations and the intensifying competition on world markets. A rise in the level of the productive forces and a certain standardization of the economic structure with analogous enterprises functioning in the center are occurring and will inevitably continue in affiliates of the TNC deployed in the developing countries. A multiplier effect summoning into being new forms of production and service of the modern type has to be reflected on the scale of the entire economy.

It cannot, of course, be claimed that the effects of external relations and influences will operate everywhere only in this direction. The question of how rapidly these processes will occur and how strong their national economic and social effects will be remains open also. They will, of course, be uneven by sector, extending to some developing countries and for a time circumventing others. But it can hardly be doubted that their influence will grow, with all the consequences for the reorganization of socioeconomic structures ensuing from this. Also mistaken is the idea that counterposed to the countries developing along a capitalist path is a cohesive front of foreign monopolies and Western states. The forces of cohesion and social solidarity of the bourgeois classes, as, equally, their contradictions, are of an entirely objective nature and are not enclosed within national boundaries but cross them.

Capitalist development in the peripheral countries simply cannot be examined outside of the new world context. In the world capitalist economy as a whole national-state consolidation is combined with the internationalization of capital; the foreign components built into the reproduction mechanism of the national economies have in the developed countries also, as a rule, a greater degree of freedom in respect of government regulation and other factors of domestic economic life compared with the less mobile elements of local origin. This exacerbates the contradictions, but also becomes an additional source of development.

The most essential point, however, is that the qualitative clarity of the external factor is being modified: it is beginning to operate via internal factors also, merging and interweaving with them to a certain extent and realizing together with them system-forming functions.

The state and the economic structure which it represents are becoming a most important factor of social development in the majority of developing countries. The purposeful activity of the state tackling a set of economic, social and political tasks has been studied on the basis of the material of many countries and is generally recognized in scholarly literature. To what might this activity lead in the future? Scholarly literature provides various answers to this question.

An extreme approach assigns the state and state sector merely the role of incubator and subsequently generator of a system of private-economic capitalism. Arguing by analogy and referring to the historical experience of the "mercantilist" or "absolutist" stage of European capitalism, some experts conclude that the particular role of the state in the social reproduction of the developing countries is a transitory phenomenon and that the implantation of bourgeois relationships from above and outside will ultimately lead to a kind of "rolling back" in the regulation and nationalization of most important spheres of economic activity. Having accomplished his mission, the Moor will quit the historical arena. The vulnerability of this hypothesis, however, lies in the underestimation of the deep-seated changes which world capitalism underwent with the transition to the state-monopoly phase and the irreversible modification of its main economic laws. The participation of the state in the reproduction process of the developed capitalist countries is by no means less significant than in the developing countries. In any event, in terms of the share of state consumption in aggregate gross domestic product, development in the centers of the system has described a short parabola: from 16.9 percent in 1950 to 18.8 percent in 1960, 17.4 percent in 1970 and 16.7 percent in 1980, while on the periphery it was, as in a number of other respects also, "catch-up": from 10.6 percent in 1950, rising constantly, to 14 percent in 1980 (10).

There is another vision of the future also. Namely, private-economic capitalism did not have time to "replow" the economic soil in the developing countries, and its time was historically let to pass, and the past stadial nature change is nonreproducible. The state, on the other hand, acts here as an independent economic force, and a certain socio-class exploiter-type community exhibiting not the least intention of quitting not only the political but also the economic arena has taken shape around it. The set of conditions dealt with above is blocking the spontaneous action of the laws of

capitalism, and under these conditions the state, combining basis and superstructural functions, remains the sole serious internal factor directing social development. For this reason a "historically particular social order connected with the new mode of appropriation and alienation" is being conceived or an entirely specific variety of "state" capitalism (on a macroeconomic and not structural scale) lacking a serious private-economic first cause is taking shape in the developing countries (11).

This projection, however, appears less convincing at the end of the 1980's than 10-20 years ago. As the highly scrupulous studies of recent years have shown (12), one further factor has begun to perform an increasingly active role in the development of capitalism in many developing countries, the most populous included.

The objective process of decomposition of the subsistence economy and expansion of the market has assumed quite considerable proportions in many countries. Petty commodity production here grows into the lowest forms of capitalist production, and these, in turn, into intermediate forms forming distinctive barriers with the upper level of the economy represented by capital at a high level of concentration. There is also a "counter" capitalist transformation of the lowest strata of the traditional exploiter groups and some of the direct producers and a growth of "local" capitalism not only in the cities but in the countryside also (13). And although this entire process has as yet far from encompassed the system of social reproduction, the shoots of capitalist relationships making their way out of the soil (and not the apical formations which existed earlier also) are ceasing to be secondary and stagnant elements of the macroeconomic structure.

The formation of modern productive forces in capitalist and quasi-capitalist forms and the certain bourgeois evolution of the social structure of society in a number of developing states, which acquired a certain acceleration in the 1970's, have not come to a halt in the crisis-ridden 1980's either. This change is revealed most distinctly, as a rule, in countries on higher levels of general economic development and with a relatively lengthy "probationary period" of capitalist development proper, and in large countries, in their most developed regions. But less developed countries have been pulled into these processes also. The "state" factor has undergone a certain transformation also. In many developing countries and territories, regardless of political-ideological differences--from Mexico to South Korea, from Brazil to India--attempts are being made to stimulate the spontaneous-market mechanism, impose state regulation and enterprise in a narrower framework, undertake "decentralization in economic decision-making" and stimulate medium-sized and small business. In a number of instances a policy of "economic liberalization" in the spirit of the recommendations of the "Chicago School" has led to catastrophic results (Argentina). The connection of these recommendations with the selfish interests of certain imperialist forces is beyond any doubt. But we cannot see in the change in the correlation between the spontaneous-market and centralizing regulators of the economy and direct and indirect methods of state intervention in reproduction which has been discerned in the 1980's merely an infection which has been brought in from

outside. It has reflected objective processes: both the continued integration of the developing countries in the world capitalist economy and the formation in these countries of a new socioeconomic situation.

Singularities of the Formation of Capitalist Structures

All this leads to the formulation of the central question: WHAT KIND OF CAPITALISM is being established in countries of a bourgeois-oriented development and in what combination and sequence are the structural components and elements of the economic mechanism formed. "A country which is industrially more developed shows the less developed country merely a picture of its own future," K. Marx formulated an axiom of the formation of capitalism in Europe in the 18th-19th centuries (14). Evolving for many hundreds of years within the confines of ONE TYPE of socioeconomic and socio-cultural development, the majority of countries here passed through a relatively narrow historical corridor--France after England, Germany and Northern Italy after them and so forth, repeating in basic outline the forms of each phase of technical and economic development, their typical social configurations and even, albeit with greater differences, sociopolitical battles.

K. Marx, however, did not consider this a universal path and emphatically objected to the attempts to portray "the historical outline of the emergence of capitalism in West Europe" developed in "Das Kapital" "in a historical-philosophical theory concerning the general path along which all peoples are fatally condemned to proceed, whatever the historical conditions in which they find themselves" (15). People frequently refer to this statement of K. Marx's, in accordance with its context, when justifying the possibility of development "in circumvention" of capitalism. Historical experience has revealed a different meaning thereof also--the nonuniversality of the European path of the formation and development of capitalism.

Countries currently proceeding along the capitalist path do not, as a rule, exhibit and cannot exhibit the former repetition of certain phases of the development of capitalism, for behind them is a different, "non-European" history which cultivated appreciably different forms of economic ties and relationships preceding capitalism, other procedures of their interaction and a different cultural code. What is being reproduced is not a path with all its phases which have receded irreversibly into the past but a certain result and common vector of the movement prescribed (inasmuch as the developing countries have been pulled into the world capitalist system) not by stepwise earlier technical-technological, economic, social and organizational forms but by contemporary forms polished by long historical sifting. Therefore the question of what kind of capitalism is taking shape in the developing countries cannot be answered by generalizing from the kind of appearance it is acquiring in the centers of the system (16).

The relatively lower level of development on which the capitalism of free competition reposed compared with imperialism and state-monopoly capitalism in the classical model was determined by the fact that the concentration of production had not at that time led to monopoly, and the state performed a role which it is customary to characterize (although not entirely accurately) by the "nightwatchman" image. The greater or lesser "inadequacy" in the

development of capitalism in countries with a "disrupted" (more precisely, historically alternative) stadial nature is manifested not only or not so much even at the upper as at the lower and middle levels, "tiers," as Yu.V. Shishkov puts it, of the system.

A private-capitalist economic system and its base components--market, competitive mechanism, average profit and cost of production, capitalist rent freed from extra-economic "developments" and so forth--has far from taken shape here yet.

Virtually the main problem of the formation of capitalism in the developing countries is the establishment of the cost and market components of the economic mechanism. This occurs slowly and with difficulty. But actual processes, which have accelerated sharply in the past 10-20 years in many developing countries, are compelling an adjustment of the notions according to which these mechanisms fatally "do not work" and will be increasingly superseded at both the domestic economic and international levels, while economic progress may be made only at the upper levels of the system.

A comparatively rapid growth of large-scale private and state-owned enterprises, national or associated with foreign capital in this form or the other, is, further, being observed in many developing countries. This does not in itself yet signify the transition of such countries to monopoly capitalism. And it is not only a question of what place such monopolies or quasi-monopolies occupy in the economy of the country as a whole and how they are correlated with major corporations of the developed countries operating in the corresponding sectors, although both are important indicators of the level of development of capitalism. Monopolies vary. A monopoly which emerged as a result of a long process of the concentration and centralization of capital possessing modern methods of production, organization and marketing, imbibing and, even more, generating achievements of S&T progress and placed under conditions not of free but relatively keen competition spurring such progress under capitalism is one thing. An enterprise which has occupied a monopoly position in a comparatively narrow and socioeconomically sharply stratified market, which has limited economic relations within the country, is protected against the social pressure of the working class, is supported by protectionism props and has adopted to artificially created hothouse conditions is another. Original accumulation in Europe and the colonial history of Asia, Africa and Latin America abounded in such monopolies. Monopolies which represent--in coordinates of the classical model--both late, mature and "overripe" and early, immature capitalism are present simultaneously and in various correlations in the economic system of the developing countries.

Finally, the state structure in the developing countries is far from identical to the "state" component in the system of state-monopoly capitalism. This structure is built into the economy, whose capitalist transformation has yet to be completed, as a rule. It interacts with different structures and fills in certain sectors of reproduction, whose socialization is brought about in some cases by economic necessity and urgent social requirements and, in others, has been dictated by purely political or ideological considerations frequently of an arbitrary quality.

The economic regularities of its movement and social forms of organization bear the imprint of at least three types of social production: precapitalist, capitalist and the form of socialization whereby, as K. Marx put it, "the capitalist mode of production is abolished within the limits of the capitalist mode of production itself" (17). It represents, consequently, state capitalism only where and to the extent that private-economic capitalism has enjoyed development alongside it, while its own resources have been incorporated in the reproduction of the aggregate social capital (and not macroeconomic flows in general) of a given country and to the extent that its material-technical facilities are based on modern productive forces and its organization is being pulled up to the level of bourgeois standards.

Without relatively developed private-economic capitalism on national soil the state economy and sum total of levers of state economic regulation may only with a great fraction of conditionality (mainly with a look back at the world-economic environment) be interpreted as state capitalism. Without private monopolies which have occupied the central and not a peripheral place in a country's economy and which interact with the state there is no system of state-monopoly capitalism. Therefore the presence in this developing country or the other of individual elements situated on the upper levels of this system is insufficient for a finding concerning the level of their capitalist transformation.

Without in any way belittling the role of either the state or state capitalism, it is also difficult to agree with the viewpoint which is sometimes expressed that, given the auxiliary role of private capital, they can only realize not the preparation and not the incubation but the system-formation of the economic order wherein different levels of socialization are combined with the autonomy of the managing subjects and without which there is no capitalism. The system-forming role of the structure of state and private-economic capitalism may only be realized "in a bundle".

Thus capitalism, which is taking shape in the economy of the majority of developing countries, is represented by relatively numerous (and strongly differentiated) versions of the social system, which appears in various combinations of its constituent components: market and private-monopoly and state regulation. It is largely oriented toward the models of the developed capitalist countries, but "lags" behind them at all stages of the multitier structure. "Catch-up development" occurs both on the path of formation of national-state capitalist economies and by the direct incorporation of capitalist components of the local economy (mainly represented by affiliates of the TNC) in the world capitalist economy.

Capitalism in the System of Social Reproduction

In certain developing countries the capitalist production mode has already become firmly established as the predominant mode, in many others the relatively rapid development of capitalism is under way. Two aspects may conditionally be distinguished in these processes. There is, on the one hand the superseding of precapitalist production relations or the formation of hybrid combinations of "precapitalism" and capitalism in which the latter

dominates the first, economically, in any event. On the other, there is the consolidation and rise in the level of maturity of local (but not necessarily national) capitalism itself. Two interconnected, but different problems have, accordingly, to be posed and solved: the correlation of capitalism and precapitalist socioeconomic structures and the qualitative certainty of capitalism as an economic structure.

A solution of the first of these problems presupposes that indicators directly or indirectly showing how capitalism takes possession of the basic phases of reproduction: production, distribution, exchange and consumption must be found and interpreted. This is not easy for reasons of both an informational-statistical and theoretical-methodological nature. Presenting a consolidated "third world" picture, in its dynamics even more, is as yet evidently impossible. Nonetheless, we shall attempt to outline a logic circuit enabling us to systematize available data and amplify and specify general assertions.

The superseding of precapitalist forms in PRODUCTION is the key phase of the reproduction process and indirectly demonstrates primarily the growth of labor productivity in the national economy as a whole, in industry and in a number of other sectors. According to our rough calculation, labor productivity per employed person in the period 1950-1980 in respect of all the developing countries increased on average from 3.3 to 3.6 percent per year (18). Granted all the unevenness of this increase per sector and country, it undoubtedly testifies that modern technology and organization of labor have become firmly established in relatively large sectors of economic activity on the scale of the entire "third world". This transition has occurred even more rapidly in the leading sectors, apparently, since the lowest forms of capitalist production with their frequently primitive material-technical base were able to produce a considerably lesser increase in labor productivity, while the traditional and transitional economic structures, it would seem to us, are capable of reaching the 3-3.5-percent per annum level only for a short time and in exceptional cases.

The growing ouster of precapitalist forms of production is also shown by the calculations of A.Ya. Elyanov, according to whom from the start of the 1960's through the start of the 1980's the share of the traditional sector declined in the gross domestic product of Latin America from 7 to 4-5 percent, and in Afro-Asian countries, from 33-40 to 25-27 percent (19).

Not one of these indicators, it is true, characterizes the situation directly, and the considerable differences in the criteria on which the scholars and statisticians of different countries rely sharply cheapen any generalizations and comparisons. Nonetheless it can hardly be doubted that even now the private-capitalist and state sectors have on the scale of the entire developing world a decisive preponderance in production of the gross domestic product.

The incompatibility of the structures of production and employment is a most characteristic feature of socioeconomic development in the "third world" (20). The proposition concerning the "boundaries of capitalism" is frequently based on the argument that the majority of the economically active population is not employed--and cannot be employed in the foreseeable future--in capitalist

production. We shall not discuss here the question of what proportion of the employed population has to be involved in bourgeois production proper in order for the system-formation of the new production mode to be considered completed. In any event, in countries of earlier historical echelons this was not a majority. Something else, however, is more important. We should not underestimate the scale and rate of erosion of the traditional employment structures, particularly in economically more developed countries. An absolute growth and increase in the proportion of the army of wage workers is being observed almost everywhere. It may be considered more or less reliable that the total numbers of persons working for wages increased from 150-160 million in 1960 to 210-220 million in 1970 and 290-300 million in 1980, constituting 30, 33 and 38 percent respectively of the economically active population. It grew, we stress, more rapidly than the numbers of employed persons as a whole. True, "wage labor" as a category of economic statistics is far from the equivalent of capitalist hire proper. But the numbers of the population covered by modern forms of wage work, state and private-capitalist (that is, the working class proper, government officials and the bourgeois middle strata), are also increasing relatively rapidly (3-3.5 percent per annum). Their proportion of the composition of the working class is growing also. It is not even now inferior to the corresponding indicators of the European countries of the period when they were completing the industrial revolution and capitalism had become firmly established in them as the predominant mode of production (and noticeably surpasses them in the most developed "third world" countries) (22).

Only special studies based on a critical analysis of published statistics will be able to show what proportion of income in the process of PRIMARY DISTRIBUTION assumes bourgeois forms. It is a question of the wage of wage workers and surplus value in its various modifications: profit, interest, capitalist rent and the salary and other income of managers. We possess merely sample data pertaining to a number of developing countries. The changes occurring in them may be interpreted as follows: the proportion of such income in the national income is growing (it is only in the less developed countries now, apparently, that it constitutes a lesser proportion thereof), the proportion of the income, however, which the direct producers derive within the framework of "independent" branches of production, and traditional exploiter groups, based on extra-economic exploitation, is declining (23).

In the sphere of EXCHANGE the development of capitalism finds a dual expression. First of all, important changes are occurring on the market of the products of labor. Formal indicators of the proportion of the gross product passing through the market were quite high in the 1950's-1960's even. But commodity relations are, as is known, dissimilar and may serve different modes of production. Only with the development of capitalism do commodity-money relations assume a universal nature. Local markets gradually merge with national markets, the commodity structure of exchange is diversified, an increasingly important place therein is occupied by the means of production and the number of new commodities grows.

The development of capitalism, however, finds adequate expression not so much in the fact that the preponderant part of the social product begins to pass through the market as in the growing role of the branches of the market which,

strictly speaking, determine its capitalist specifics--the manpower and money markets. We have already dealt with the scale of the spread of wage labor above. The ratio of the sum total of credit obligations within a country to the value of the gross domestic product may serve as a synthetic indicator of the development of the money market. The overall trend toward an increase in this ratio as capitalism develops is manifested perfectly distinctly. The average unweighted indicator of the "seven" main capitalist states in 1975-1980 remained quite steady at the 70-percent level--from 40 percent (Britain, Canada) to 100 percent and more (Japan, Italy). Our calculation for 15 leading (all the major ones included) developing countries enabled us to determine that their averaged indicator increased from 30.5 percent in 1970 to 38.6 percent in 1980 and 58 percent in 1983 with a gap between countries at the end of this period ranging from 17.1 percent (Indonesia) to 106.1 percent (Egypt) (24).

The process of CONSUMPTION is increasingly assuming a capitalist nature also. Naturally, this is manifested primarily in the sphere of production consumption--accumulation. First, throughout the postwar decades (right up to the crisis of the 1980's) the proportion between the fund of personal and production consumption consistently changed in favor of accumulation. At the start of the 1950's even the norm of accumulation for the developing world as a whole was higher than in the developed capitalist countries at the initial stages of their industrialization, and in the latter half of the 1970's exceeded these countries' current indicator (25.9 and 21.3 percent respectively in 1980) (25). Second, according to our calculations, the basis of the increase in the accumulation norm in the majority of developing countries was the growth of domestic savings, and in economically more developed countries, what is more, the proportion thereof has grown, as a rule, compared with the influx of foreign resources (26). The trend toward the shift of accumulation to a national basis (given a growth of the norm thereof), albeit dissimilar, is an important factor of the formation of local capitalism. Third, the accumulation mechanism has assumed more distinct capitalist outlines both at the stage of the mobilization of resources (an increase in the role of the credit system increasingly involving isolated income of the most diverse origin in the process of the growth of capital) and at the stage of its production realization: the proportion of capital investments of the private-capitalist sector in many countries has begun to increase at the expense of the state sector.

The particular influence of modern society, albeit in antagonistic bourgeois forms--via the mechanism of demonstration effect and the formation of new requirements--is also being experienced by the sphere of personal consumption in the developing countries. True, the social zone of such influence is limited, but it is gradually expanding in many of them. Capitalism is entering the sphere of personal consumption of the apical and middle strata and, to a certain extent, all groups of the population above the "poverty line" also--as other spheres of the social and economic life of the developing countries--with features of contemporary, late and not early bourgeois society. The priority of the cumulative, savings and productive function of income over the consumer, extravagant and frequently parasitical function is manifested not

that indisputably and far from at all times. Stereotypes of extravagance hallowed by still strong traditions are forming symbioses with the tenets of the modern "consumer society".

Nonetheless, the economic orientation toward preference for the productive consumption of income is becoming increasingly widespread in line with the growth of the income of the strata of the population which possess such opportunities and whose numbers are not that small (and tending to increase, if not relatively, then absolutely). Furthermore, the personal consumption reproducing certain standards of modern capitalism in the developing countries cannot be approached with the narrow criteria of the hierarchy of material and spiritual requirements in early-bourgeois societies. Investments in "human capital," in such spheres as education, health care, recreation and leisure, granted all their "elite character," granted all the costs and, at times, extravagance and granted all the annoying signs of social challenge "feasting at a time of plague," are in this society also no less an important factor of economic and social development than investments in equipment and other components of basic capital.

A particular place together with the superseding of precapitalist forms of production and exchange by capitalist forms is occupied by consolidation of the nucleus--the capitalist structure of the economy. The most important constituent components in this process may be distinguished.

First, many developing countries inherited from the era of colonialism not simply capitalist structures of different types: lower and higher, national and foreign and private and state (something similar occurs in the developed capitalist countries, in different correlations, it is true) but structures disintegrated among themselves with separate cycles of reproduction and specific ties to the outside world and precapitalist periphery. On these grounds certain scholars have advanced the proposition concerning the existence in the developing countries of several capitalist structures (27). Without getting into a debate on this issue, it has to be emphasized that although capitalism in the majority of these countries is disintegrated even now, the opposite trend has been strengthening throughout the independence period: the boundary between the highest and lowest forms of enterprise has gradually been eroded, the former sharp disintegration of the producer goods, manpower and capital markets has been overcome, foreign capital has been reoriented toward the domestic market and so forth.

Second, capitalism, while not yet having spread to the entire economy, has in many countries begun to influence to a growing extent the logic of general economic development. It is subordinating and adapting to itself the movement of all the remaining structures; determining the pro-capitalist thrust in the functioning of the state sector; converting the petty commodity structure from a neutral lymphatic substance into the base of its expanded reproduction; and subordinating to the interests of its development the traditional and marginal sectors (we would note that not only the transformation but also the comparatively long-term conservation and neutralization of heterogeneous structures could correspond to these interests).

Third, the development of capitalist structures has assumed a comparatively stable nature. It is a question not of crisis disturbances of the reproduction process, to which even the developed capitalist economy is liable. Precisely the transition to the cyclical nature of economic growth is an indirect indicator of the relative maturity of local capitalism. It is important to emphasize something else. In many countries capitalist transformation has become self-powered and is being implemented not only from above and outside but from below also, and if it can be interrupted now, this could only be as the result of social revolution and not a spontaneous attenuation of the process and socioeconomic stagnation.

'Sore Points' of Capitalism in the Developing World

Objecting to the populists, who believed that "acknowledging the historical progressiveness of capitalism means being an apologist therefor," on the threshold of our age V.I. Lenin wrote: "Recognition of the progressiveness of this role is entirely compatible... with full recognition of the negative and gloomy aspects of capitalism and with full recognition of the profound and comprehensive social contradictions inherent in capitalism revealing the historically transitory nature of this economic regime" (28). By the end of the century the situation has largely changed. Movement toward capitalism has become not the sole but an alternative form of formational transition.

But while championing the socialist choice Marxists are obliged to see the complexity and dissimilarity of social processes. Capitalism cannot resolve and is not resolving in any really accomplished form the most acute problems of the developing countries. In a number of cases the contradictions are growing, intensifying and leading to explosions. However, this is not the equivalent of the constant and progressive exacerbation of all contradictions and an incapacity for alleviating them, transferring them to different planes and creating compensatory mechanisms making it possible to overcome what at some moments could appear to be blind alleys of social development. Capitalistically-oriented development in a number of developing countries is affording certain possibilities not only of economic growth but also some elements of social progress. Capitalism, largely distinguished from its Western counterparts and for this reason at times unrecognizable, has become (or is becoming) a reality of many of these countries. How will development progress?

In our view, capitalism in the developing countries does not have any specific boundaries different from those limits which are imposed on it as a mode of production (both in the centers and on the periphery) by the world-historical process. Although prolonged timeframes will be required for its establishment in many or even the majority of these countries, development will proceed, albeit not progressively, in the set direction, if it is not interrupted by socialist revolution or transition to the path of a socialist orientation. What is frequently evaluated as "deformation," "waning nature" and so forth is not a barrier, an insurmountable one even less, but an expression of the historically distinctive paths and contradictions of "belated" capitalism in the modern era.

In the majority of "third world" countries the development of capitalism is coming up against surplus labor resources of the traditional sector, which for technological, economic and demographic reasons it cannot in the foreseeable timeframe incorporate in its own sphere. The existing combination of factors of production (shortage of capital, access to which requires, in addition, foreign currency, and abundant, cheap unskilled labor) is impeding the development of modern industry and holding back expansion of the domestic market, while the demographic explosion is imposing a kind of "tribute" on all of society, on the capitalist accumulation fund included. The circle is, as it were, being closed: the formation of modern productive forces may occur only, as is sometimes asserted, in an environment which has been artificially created (by the state, foreign capital) and which is fenced off from the rest of the economy and socioeconomic disintegration remains in earnest and for a long time and the "laws of the automatic growth of capital impede the enlistment in capitalist reproduction of the bulk of the population of the developing countries" (29).

The problem is truly exceptionally complex, and development occurs arrhythmically and is fraught with crisis exacerbations. But, first, capitalism is for all that gradually expanding its own socioeconomic space, decomposing and subordinating to itself the traditional structures and breaking off from them bordering "pieces". Second, state protectionism and the injection of foreign capital on the one hand and state programs of employment, industrial training, assistance to the poorest strata and so forth on the other may appear to be creating an artificial, hothouse climate only from the standpoints of laissez-faire which have receded into the distant past. Under the conditions of contemporary capitalism this is the norm, and not only on its periphery but in the centers also, what is more. Third, the development of capitalism "in depth" could to a certain extent compensate for its inadequate spread "in breadth". The erosion of all forms of precapitalist employment is by no means an indispensable condition of the establishment of the capitalist production mode; these forms may perform a socially "insuring" role.

Most acute in developing countries of a capitalist orientation are social problems. The colossal zone of poverty, starvation, disease, partial and inefficient employment, agrarian overpopulation and hyperurbanization encompasses hundreds of millions of people. It has expanded convulsively in the 1980's. Social contrasts have grown--and will continue to grow, extending from the city to the countryside being pulled into the process of capitalist transformation. The social periphery which has not been assimilated by capitalism contains the potential for explosion.

A breakthrough toward a truly anticapitalist alternative has been accomplished and a movement toward socialism with more or less consistency is under way in some developing countries. But the sociopolitical mobilization of large masses of destitute people with an acute sense of the destruction of traditional relations could be effected equally by forces hostile to both capitalism (mainly in the Western structure) and socialism appealing to an idealized past, religious tenets, "distinctiveness" and so forth (30). If such movements achieve successes, they are destroying not capitalism (for they have no realistic socioeconomic alternative, and the inertia of commodity-capitalist

relations set in motion earlier will take their toll) but the achievements of truly social progress which attend it. Iranian society is paying considerably more dearly for the "Islamic revolution" than for the bourgeois modernization of the shah.

But even where social development is proceeding in less conflictual a fashion the superseding of precapitalist structures and even the establishment of the capitalist PRODUCTION MODE still do not lead automatically to the all-around transformation of society and the extension thereto of all the elements of the capitalist FORMATION inherent in the classical model. It is a question of the predominance of socio-class differentiation over all other types of social relations and antagonisms, bourgeois-democratic forms of political superstructure, legal provisions going back at least to the Code Napoleon, particular value and behavior stereotypes, ideological cliches and so forth. The formation of a civilian society also remains problematic here.

Even if all the obvious discrepancies are reduced merely to the lagging of the superstructure behind the basis, the historical period within whose limits the capitalist economy could, albeit in conflict fashion, "coexist" with a "heterogeneous" environment and even develop therein will most likely occupy the entire foreseeable future. But even the example of the "Japanese century" testifies, apparently, to the possibility not only of such coexistence but also to some, "nonclassical," complementariness of capitalism, which is highly efficient in the technological and economic respects, and society, which differs appreciably from the European models. It has to be assumed that the developing countries will produce even bigger surprises in this sphere.

V.I. Lenin predicted that revolutions in oriental countries would be distinguished by exceptional distinctiveness (31), and historical experience has shown how right he was. The East (and more extensively--the entire developing world) is demonstrating no less a diversity of paths of social evolution, to which, Lenin emphasized, the progressive forces of society also must make their contribution, championing the interests of evolution as a whole and its fundamental and most essential interests (32).

Capitalist development will undoubtedly make its mark not only on the economy but also on all other spheres of the life of society. It, in turn, will experience the counterinfluences of socio-cultural stereotypes, in some cases, quite rigid and solidified, in others, pliable and plastic. This interaction can hardly be adequately expressed in categories of the lagging or, on the contrary, preferential development of the basis by the superstructure. Not a uniform, "capitalistically-styled" model of society but multivariant macrosocial structures with a fair "capitalist filling" and to a considerable extent a traditionalist appearance in social mentality, ideology, policy and so forth--such is the picture of the most likely structure of the bulk of the "third world" in the general development trend.

The contradictions between imperialism and the developing societies as a whole are intensifying also. The development of capitalism on the periphery of the world capitalist economy is not removing these contradictions but merely modifying them to a certain extent and building new ones onto them. First of all, in many developing countries capitalist structures (more often than not

in the form of branches of the TNC) have not only arisen but in the foreseeable future will remain primarily elements of the world economy and only secondarily of the national economy (which, possibly, will in some cases be unable to evolve into a completed national economic complex). This development is fraught with acute conflicts between the TNC as structurally autonomous components of the world capitalist economy with their particular interests and the national-state form of the political organization of society. However, inasmuch as the contemporary TNC have inserted themselves in deeper and more multifaceted a manner in the local social environment than the old concessionary companies (which have now been nationalized, in the main) the interweaving international and internal contradictions are permeating literally all spheres of social life.

Further, in the economically most significant states of the "third world," primarily in Latin America and the Pacific, new capitalist "power centers" have begun to take shape on an interstate integration or country-by-country basis. In the future this will lead to the emergence of new centers of imperialist rivalry. It may be assumed that as the "national capitalisms" are consolidated on the basis of the integration of national and international (foreign) capitalist structures in the relatively large and (or) developed countries, they will be increasingly less content with the role of dependent clients of the existing centers of the world capitalist economy and will begin to develop expansion, forming around themselves their own periphery and appealing at times to anti-imperialist solidarity.

In the future capitalist and state capitalist forms of production, distribution, exchange and consumption will evidently gradually encompass in the majority of developing countries not only a growing proportion of the aggregate product but also increasing--although, most likely, of an order of magnitude slower--contingents of the employed population. The separation of some components from this process and the transition of new countries, particularly with a relatively low level of economic development, to the path of a socialist orientation is not only possible but also probable. As a whole, however, a new socioeconomic structure of the developing world is gradually maturing, the place therein of individual components is changing and the capitalist formation in its historical section will appear in deeply echeloned form.

FOOTNOTES

* The article is published by way of discussion.

1. In analyzing the problems of capitalism in the developing world we, like the majority of participants in the discussions which are being conducted, concentrate attention on the mode of production and only in the concluding section do we touch on the considerably more complex question of the capitalist formation.

2. See MEMO No 1, 1974, p 111; AZIYA I AFRIKA SEGODNYA No 11, 1978, p 29.

3. NARODY AZII I AFRIKI No 1, 1985, pp 90, 82; AZIYA I AFRIKA SEGODNYA No 11, 1978, p 32.
4. NARODY AZII I AFRIKI No 1, 1985, p 92; MEMO No 9, 1975, p 107.
5. NARODY AZII I AFRIKI No 1, 1985, p 86.
6. See "Capitalism in Latin America," Moscow, 1983, p 8.
7. MEMO No 10, 1973, p 118.
8. See V.I. Lenin, "Complete Works," vol 27, p 422.
9. See "The Developing Countries: Regularities, Trends, Prospects," Moscow, 1974, pp 17-19, 23-26, 38-45, 171-176, 457.
10. The calculation for the period 1950-1970 is in 1970 constant prices, for 1980 in 1980 prices. Calculated from "Yearbook of National Accounts Statistics" for 1969, 1975 and 1981.
11. This viewpoint is developed in most consummate form in the works of M.A. Cheshkov (see "Economics of the Developing Countries: Theories and Methods of Study," Moscow, 1979, pp 324-326; NARODY AZII I AFRIKI No 1, 1985, pp 86-87). A somewhat different version of this concept was advanced by A.I. Medovoy and V.A. Yashkin (see MEMO No 9, 1975, pp 106-116).
12. There is a very great number of works which discursively analyze the processes of the capitalist transformation of individual "third world" countries. We would mention here merely the studies of G. Shirokov, A. Kolontayev, A. Granovskiy, O. Malyarov and others on India, O. Baryshnikova on the Philippines, S. Levin on Pakistan, M. Gusev on Malaysia, A. Karavayev on Brazil and Z. Romanova on Argentina.
13. See MEMO No 1, 1986, p 136.
14. K. Marx and F. Engels, "Works," vol 23, p 9.
15. Ibid., vol 19, p 120.
16. This question goes beyond the framework of this article, but we share the viewpoint of Yu.V. Shishkov, who characterizes the model of capitalism which has taken shape currently as a "COMPLEX, INTRINSICALLY CONTRADICTIONARY THREE-TIER STRUCTURE. The basis thereof is an initial subsystem of market-competition regulation operating both within the national economies and between countries; added to it is a subsystem of monopoly regulation operating within the limits of the sphere of influence of this monopoly or the other; on top of them is a subsystem of state regulation operating mainly within the national boundaries of this country or the other (see RABOCHIY KLASS I SOVREMENNYI MIR No 1, 1986, p 80).
17. See K. Marx and F. Engels, "Works," vol 25, pt 1, p 481.

18. Calculated from "Yearbook of National Accounts Statistics"; "FAO Production Yearbook" for the corresponding years; "Labor Force Estimates and Projections, 1950-2000," vols I-VI, Geneva, 1977; "World Bank. World Development Report" for 1979-1983.

19. See NARODY AZII I AFRIKI No 4, 1983, pp 22-23.

20. For more detail see "The Developing Countries: Economic Growth and Social Progress," Moscow, 1983, pp 28-32, 302-311, 536-542.

21. Our calculations (based on the sources indicated in footnote 18 and also "Labor Yearbook" for 1965-1984) and the estimates of various scholars produce close orders of magnitude (see AZIYA I AFRIKA SEGODNYA No 11, 1980, p 6; RABOCHIY KLASS I SOVREMENNYIY MIR No 3, 1981, p 123; No 5, p 101).

22. In 1850 only in Great Britain was the proportion of wage workers in the economically active population higher than the current mean indicator of the developing countries. In Russia in 1913 persons working for wages in large-scale industry, construction and railroad transport constituted approximately 11.5 percent of the work force. Calculated from "Soviet Historical Encyclopedia," vol 11, 1968, pp 779, 781, 794, 796; M.A. Colin Clark, "The Conditions of Economic Progress," London, 1957, pp 124-141, 196, 250.

23. Attesting this are, specifically, the calculations adduced by A.Ye. Granovskiy on the structure of personal income (prior to the deduction of direct taxes) in India in 1960/61 and 1976/77. According to his estimate, 60 percent of the changes which had occurred reflected "general regularities of capitalist development," while the remaining 40 percent represented specific singularities of the Indian situation (see A.Ye. Granovskiy, "Accumulation and Economic Growth in India," Moscow, 1983, pp 54-57).

24. This indicator varies, it is true, by year and country. It depends both on economic conditions and the singularities of the practice which has become established in this country or the other of the mobilization of savings, the financing of capital investments, the condition of state finances and so forth. In 1960 the indicator pertaining to 10 (out of the 15) developing countries, where there are data, was even then at the 20-percent level. Calculated from "International and Financial Statistics. Yearbook 1985"; "International Financial Statistics, 1982"; MONTHLY BULLETIN OF STATISTICS, July 1985, pp XLII-XLVI.

25. Calculated from (on the basis of gross domestic product in 1975 prices) "Statistical Yearbook, 1981," pp 5, 9, 151; MONTHLY BULLETIN OF STATISTICS, May 1983, pp XVIII-XIX.

26. For more detail see "The Developing Countries in the Modern World: Unity and Diversity," Moscow, 1983, pp 178-179. See also MEMO No 7, 1986, pp 125-128.

27. See A.I. Levkovskiy, "Social Structure of the Developing Countries," Moscow, 1978, pp 33-78; "The Foreign Orient and the Present Day," vol 1, Moscow, 1974, pp 25-26.

28. V.I. Lenin, "Complete Works," vol 3, p 597.

29. See G.K. Shirokov, "The Industrial Revolution in Oriental Countries," Moscow, 1981, p 189.

30. For more detail see "The Developing Countries: Economic Growth and Social Progress," pp 583-588.

31. See V.I. Lenin, "Complete Works," vol 45, p 381.

32. See *ibid.*, vol 20, p 169.

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EEC POLICIES ON S&T INTEGRATION VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12,
Dec 86 pp 67-74

[Article by L. Glukharev and N. Shulyukin: "Questions of S&T Integration in the European Community"]

[Text] The current stage of the S&T revolution is proceeding under the conditions of the deepening of the general crisis of capitalism, intensification of the contradiction between the increased productive forces and the private-ownership nature of social relations and the increased confrontation of the two socioeconomic systems. At the same time, as the 27th CPSU Congress documents observe, "the present stage of the general crisis is not entailing an absolute stagnation of capitalism and does not preclude possibilities of the growth of its economy and the mastery of new S&T fields." What is new in our day is that capitalism is using not only national but also international forms of state-monopoly regulation in its class interests for the stimulation of S&T progress.

The EC's regulatory mechanism is extending increasingly to the production sphere and becoming a factor of capital accumulation and the "sanitation" of capitalist production for the purpose of easing the crisis upheavals. On the frontier of the 1980's appreciable significance in the Community is attached to the policy of the structural rebuilding of industry, energy and agriculture based on the extensive application of new technology. The current stage of the S&T revolution is prompting the EC to embark on the path of the creation of a "technological Europe." Under the conditions of the intensifying inter-imperialist rivalry, the Community's regulatory bodies are joining in the process of modernization of the economic structure becoming "expeditors" in the development of the sectors of the future and ensuring favorable conditions for the West European monopolies.

Integration Strategy

The present stage of the S&T revolution has in conflict form accelerated integration processes, contributed to the shift of the center of gravity of regional regulation from the market sphere to the production sphere and moved the Community's S&T strategy to the forefront. The development of new technology, EC documents observe, "will perform a key role in economic, social, political and military development." (1) Under the conditions of crisis upheavals and the structural rebuilding [perestroika] in the capitalist economy,

the formation of a new international division of labor and the exacerbation of competitive struggle, West Europe's monopoly capital is seeking additional impetus and developing a strategy of stabilization of economic and social relations and their adaptation to the conditions of the internationalization of production.

The trend toward S&T integration in West Europe has been brought about by the crises and depressed state of the capitalist economy in the 1970's-1980's. The deepening of the general crisis of capitalism in the EC countries has been manifested, inter alia, in a combination of structural and cyclical crises connected with an overaccumulation of capital.(2) "Stagflation," chronic unemployment, slackness of investment, drain of capital, trade and balance of payments deficits--these are inalienable features of the current state of the EC economy.(3) The "oil shocks" of the 1970's-1980's exacerbated the energy problem. The period of relative social stability was over, beginning a new stage of increased class contradictions. "Crisis in Europe," "crisis of Community institutions," "policy of economic decline"--this is how this period is characterized by the authors of a group monograph with a foreword by G. Thorn, former chairman of the European Communities Commission (ECC).(4)

The crisis processes in the economy of the EC countries are being accompanied by a structural-technological restructuring of the economy and its adaptation to the conditions of the new industrial revolution. The transfer of capital into the sectors of the future has essentially begun a new period of industrialization and initiated a break with outdated industrial structures and the formation of the "economy of the 21st century." "Europe is experiencing a recession, which, it hopes, will give birth to a new industrial base," the American journal BUSINESS WEEK wrote.(5)

The capitalist countries have reached a new level of competitive struggle. As the material of the 27th CPSU Congress emphasizes, "the considerable complication of the conditions of capitalist reproduction, the diversity of the crisis processes and the exacerbation of international competition have imparted particular seriousness and persistence to imperialist rivalry."

The unevenness of economic development under the conditions of the internationalization of economic life, exacerbation of the competitive struggle and the Community countries' technological lag behind the United States and Japan have sharply intensified interimperialist rivalry and led to a weakening of the EC's positions. For example, in terms of total turnover, Philips, the first producer of integrated circuits, is in 11th place among producers of this type of product in the capitalist world, and SII-Honeywell Buell, the first company in the sphere of production of computer equipment, is in 10th place. "At the dawn of the third industrial revolution Europe's positions are weak," the author of the article "Europe: SOS" writes, not without reason.

Protectionism and the fragmented state of the new technology market in West Europe are impeding the organization here of specialized production and orienting the West European monopolies toward preferential ties to American capital. Equipment produced under license or purchased in the United States is frequently received when the suppliers are already working with new-generation machinery.

The transition to the use of new technology in information science, biotechnology and other of the latest sectors began as of the mid-1970's in the United States and Japan. "This early enthusiasm and the general mobilization of forces which followed it were determining factors of the strong development of Japan and renewal of the production machinery of the United States. Europe, on the other hand, had at the start of the 1970's sunk into a deep sleep," (M. Rishenye) observes in the book "Europe's Metamorphoses." (6) According to estimates of Community experts, the amount of research work in the world is distributed thus (%): United States 33; West Europe 25; and Japan 12; and West European research is not coordinated, what is more, and frequently repeats itself and competes with itself. (7) Whence the plans for the creation of a "common industrial base," "common communications industry" and "West European industrial-scientific zone" and the formation not only of economic but also "technological space."

The exacerbation of the general crisis of capitalism is simultaneously the crisis of monopoly integration and its institutions and the regulatory mechanism also, and the growth of rivalry within the bloc. West European integration is bringing the contradictions of capitalism to a new level and transferring the antagonisms of national states to a "Community scale." (8) At the same time, however, structural-technological restructuring, which is to a certain extent assuming a regional nature, is ascending to a new level.

Under these conditions the EC authorities are employing supranational forms of regulation and molding a new strategy, whose purpose is to adapt the economy to the new stage of the S&T revolution and seek increased competitiveness on the world capitalist market. This strategy, its creators intend, is also to lessen technological dependence on the United States and ensure "S&T polycentrism" in the capitalist world and strengthen military-political integration.

The EC's "concerted" strategy proceeds from the fact that the possibilities of national state-monopoly regulation do not correspond to the scale and depth of the structural-technological restructuring of the members' economy. Market forces and the spontaneous competition of private firms alone would not ensure due structural restructuring [strukturnaya perestroyka] the "concerted" strategy together with the spontaneous market mechanism and national regulation provides for the enhanced role of supranational institutions.

The concept of the building of a "technological Europe," as follows from the arguments of R. Dahrendorf, E. Davignon, G. Thorn and a number of other theorists and practitioners of the Community, is basically sustained in a spirit of neoconservatism in the part thereof which concerns state regulation at the national level. At the same time, however, they believe, the market alone cannot provide for "structural adaptation," and in this connection regulation on the part of the Community authorities is essential. The latter should "program" and "channel" the process of structural restructuring. (9)

Thus, for example, A.M. (Lizen), member of the European Parliament, believes that under the conditions of the domination of transnational corporations an exclusive orientation toward market forces will not allow the EC countries to

implement structural restructuring on the basis of the efficient use of new technology. On the other hand, the protectionism of national regulation is merely increasing the fragmentation and the lag in this sphere. For this reason, he believes, for the increased competitiveness of the EC's industry two conditions are essential: market competition and a common S&T policy within the Community framework.(10)

E. Davignon connects the development of S&T integration with the idea of the creation of a "new industrial fabric of the Community." The essence thereof consists of the transfer of capital to the new sectors: information science, aerospace and nuclear power (the 1980's) and biotechnology (the 1990's). The creation of a "technological Europe" should proceed along the path of specialization and cooperation combining national and general interests precisely in these newest sectors (per the example of the Airbus project).

Essentially the "locomotive" idea is being revived from a new angle. Not individual "strong" countries, as before, but the Community as a whole, R. Dahrendorf believes, should be a factor of economic growth and the absorption of "technological unemployment." The way out of the crisis is solely on the paths of integration, G. Thorn echoes him: "A European solution for national problems," with the Community as the "stimulator" and "coordinator" of the structural restructuring.(11)

It is on the basis of these ideas that the Community's S&T policy has been taking shape in the 1970's-1980's. It is also seen as the "motor," as the accelerator of "West European building." "Cooperation is assuming new dimensions," ECC material observes. "It pursues a single goal--integration in Europe. Cooperation in the scientific sphere is becoming the instrument for its achievement."(12)

S&T integration is regarded in the Community's executive bodies as the sole force capable of responding to the American technology challenge. The EUREKA Project advanced by France, which incorporates the development of five programs--Euromatique, Eurorobot, Eurocom (optical communications systems), Eurobio (resources of animate nature) and Euromat (new materials)--corresponds to the strategy of technological independence. This project was approved by the European Council in June 1985, and in July, by a conference of foreign ministers of 17 West European countries, including EC representatives. The EUREKA Project, which envisages "technological competition" with the United States and Japan and which, specialists believe, "will open the gates to the third millennium," is seen as a step toward the creation of a "technological Europe."

The ECC memorandum to the European Council of 25 June 1985 "En Route to a European Technological Community" enumerated the priority areas of development--information science, biotechnology, new materials and equipment, new-generation transport, telecommunications, conquest of space and ocean resources and so forth. It also speaks of coordination of the programs on a Community scale and their organizational and financial support. A number of other projects provides for the unification of scientific potential by way of cooperation and specialization, measures to limit the transatlantic "brain drain" and so forth.

S&T Policy

Several stages can be traced in the development of the EC countries' S&T integration. The agreements on the creation of the European Coal and Steel Community (ECSC, 1951), the EEC and Euratom (1957) initiated the formation of the institutional basis of concerted S&T policy. Thus article 55 of the Paris Treaty on the ECSC accorded the supranational authorities the necessary powers for the organization of R&D in the coal and steel sectors. The treaty on the creation of Euratom provided for satisfaction of the conditions for the development of nuclear power, including S&T cooperation.

The treaty on the formation of the EEC made practically no mention of the sphere of S&T policy. Only one sphere of supranational regulation was determined specifically--agriculture (article 41). Thus in the first years of the Community's existence joint R&D was conducted in a small volume in only four areas--nuclear technology, coal mining, metallurgy and agricultural technology.

As of the mid-1960's the sphere covered by concerted S&T policy began to expand. Joint R&D extended to information science, transport, meteorology, oceanography and ecology. The Community took the first steps in the development of a comprehensive S&T policy. A group of experts was set up to this end in 1965 to study the possibilities of the development of cooperation in the sphere of scientific research. The process of the "Europeanization" of the sphere of education and higher educational institution research, which is assigned a central place in "European building," has been strengthening as of the 1970's.(13)

With the EC Council of Ministers' adoption in January 1974 of two resolutions on the legal provisions of the Community countries' cooperation in science and technology and a specific action program in this sphere S&T policy became an independent area of regional regulation. Specialists of the Community, scientists, politicians and industrialists of all member-countries were enlisted in its development. It extended to practically all the most important fields of research--both fundamental and applied--primarily in the branches of science and technology which cannot be developed thanks solely to national resources or where the lag behind the United States and Japan was intensifying.

It was in this same period that the institutional mechanism of joint S&T policy finally took shape. Its supreme bodies are the Council of Ministers and the ECC. A whole system of committees and work groups has been created under the auspices of the ECC. An important role belongs to the Scientific-Technical Research Committee (CREST) and the European Science and Technology Development Committee (CODEST).(14) Special consultative committees for the management of specific research programs and their coordination operate at a lower level.

The evolved mechanism of the Community countries' S&T integration is oriented toward the development of the corresponding infrastructure, an extension of various forms of cooperation with the participation of private and state research centers, the coordination of national scientific programs and an exchange of information and the results of research.

The set of financial instruments of S&T policy provides for the financing of the work performed under the leadership of the Joint Research Center(15) the contract subsidizing of national research centers (the Community, as client, pays for 50 percent of the cost of the work); the coverage of expenditure on the coordination of the members' S&T policy.

Expenditure on the implementation of S&T policy in the past decade grew considerably: 70 million ECU in 1973, 477.2 million in 1984. However, this constitutes only 1.5 percent of the sum total of the EC members' corresponding budget expenditure and 1.6 percent of their aggregate budget. By 1990, according to certain estimates, appropriations to this end will have risen fourfold.(16)

The development of long-term forecasting and medium-term programming has been characteristic of the S&T strategy of the 1980's. The long-term priorities of S&T policy have been elaborated as of the end of the 1970's within the framework of the special program of forecasting and assessment in the field of science and technology (FAST).(17) The first FAST program was adopted by the Council of Ministers in 1979. It provided for the selection of three basic areas of research--economic resources, industrial structure and social change--encompassing approximately 20 key problems. These included international trade and the currency system, energy, raw material resources, industrial specialization, ecology, technology and others.

While disposing of quite a modest budget of 5.6 million ECU, the 10-man leadership was able to organize and coordinate a wide-ranging system of technical and socioeconomic research of an interdisciplinary nature pertaining to 36 topics, in the development of which 54 research centers and laboratories of the member-countries participated.(18)

A new 4-year program (FAST-II) was adopted in June 1983 providing for the development of four main subjects: interaction between the development of new technology, employment and the labor process; comprehensive development of systems of renewable natural resources; development of new technology in the sectors of communications and agro-food industry; changes in the services sphere under the impact of technological change.

FAST established the initial components of the system of forecasting within the Community framework based on numerous studies conducted both in the member-states and in third countries. The results of FAST's activity have been applied in practice in France (chemical industry), Great Britain (use of biomass and regional development) and Denmark (social and technical aspects of the development of information systems). They have also been used at the time of the elaboration of the Community's joint strategy and, specifically, have contributed to the formation of S&T policy in the sphere of the latest technology.

The strengthening of the principles of medium-term programming in the development of R&D is connected with the Community's transition to the elaboration and confirmation of medium-term "framework" programs of joint S&T policy on the basis of which specific projects will subsequently be confirmed. The first such program geared to 1984-1987 is operating currently, and the second, for 1987-1991, is at the preparation stage.

The Community's S&T policy in the 1980's provides for the development of joint R&D in the sphere of agriculture, industry, energy, use of primary resources, health care and others. In agriculture the main place is occupied by research connected with an increase in the productivity of animal husbandry, the use of new techniques, the cultivation of crops which are atypical for Europe (maize, tobacco and protein crops for livestock), obtaining biomass and the protection of fish resources.

In the sphere of raw material resources, dependence on imports of which within an EC framework constitutes 75 percent (100 percent in respect of phosphates, chromium, cobalt, manganese, platinum and titanium), measures are planned for an improvement in the use of existing deposits, the more rational management of forests, the recycling of raw material and its processing and the substitution for strategic raw material (chromium, silver, tin, tungsten and so forth) of other materials. A paramount problem of the Community is the supply of energy resources. Research is being conducted here in the sphere of nuclear power, thermonuclear synthesis, the rational use of and economies in energy and a search for alternative sources thereof. R&D in the power engineering sphere is the leading field of the Community's joint S&T policy (it accounts for 47.2 percent of spending on joint research).

The Community attaches great importance to industrial R&D, primarily in the sphere of new technology. Industrial R&D's share of the EC's total budget expenditure for S&T policy purposes has grown almost fivefold (28 as against 6 percent) in the 1980's compared with the 1970's. Joint programs pertaining to such strategic areas as information science, biotechnology and telecommunications have been drawn up and approved in the past 2 years alone.

The 10-year European strategic program of research in the sphere of information system technology--ESPRIT--which was adopted in 1984, was the result of the coordination of research which had been practiced since the end of 1982. The program contains the following fields: the latest microelectronics (development of the technology of new, more accomplished computer chips); accelerated data processing; software technology; and the automation of office work and also factory production and the development of computer-controlled flexible processes.(19) It is contemplated allocating 1.5 billion ECU for realization of the first 5-year part of the program. One-half of this amount is to be provided by the Community bodies, the other, by the members' industrial circles.

With the aid of ESPRIT companies of the Community states hope to increase private-monopoly cooperation in the sphere of research, development and the application of information science hardware in production and also strengthen ties between industry and the university centers. ESPRIT makes it possible to unite the efforts of almost 3,000 research assistants and approximately 250 industrial companies, research laboratories and universities. Some 104 research projects, for each of which there is an average of six participants from different member-countries, are being implemented within its framework currently.

In the field of biotechnology the ECC has drawn up a 5-year program, for whose realization 200 million ECU are allocated.(20) It provides for scientific research and the training of personnel for base biotechnology and the more

extensive application of genetics, biochemistry and microbiology in agriculture and industry; an upgrading of the system of the vocational training of research personnel and also the increased mobility of research assistants within the framework of the main West European research centers; the creation of an information system, data banks and the necessary data-processing facilities and so forth; the development of standards and regulations.

Implementation of concerted S&T policy in the sphere of the development of telecommunications is at the initial stage. The ECC had in 1984 only formulated the main tasks, which included: consistent unification of the markets of government purchases of communications hardware (at the first stage it is proposed keeping to the unification of 10 percent of the government market of the member-countries); harmonization of the legal rules regulating the procedure of granting foreigners permission to engage in entrepreneurial activity; implementation of joint experimental projects (the creation in the next few years of a system of videocommunications between governments of the Community countries, for example); joint R&D. In 1985, per the ESPRIT program model, the Community elaborated a joint R&D project in the sphere of telecommunications (the PACE program), for realization of the first phase of which 43 million ECU have been allocated.

The Community is making active efforts to increase the efficiency of joint research activity. This means the orientation of R&D toward the key areas, use of the mechanism of supranational regulation to stimulate integration at the private-enterprise level and a quest for more flexible forms of international coordination and cooperation.

Contradictions and Compromise

Bourgeois-reformist theories concerning S&T integration as a factor of "Europe's technological revival" and its new growth and social harmonization mask the essence of the integration processes in West Europe, which may be defined by K. Marx's words as the reproduction of the "international nature of capitalist practices." (21) They manifest the historical trend of capitalist accumulation consisting of the fact that capital aspires to create for itself uniform conditions of reproduction within the framework of a regional economic complex. The S&T revolution does not alter the essence of this process, merely modifying its forms and the nature of its development.

Internationalization of the market and production in West Europe is developing via crisis upheavals, which are the result of the confrontation of different sociopolitical forces. The development of the European Community represents a process characterized by "both the impossibility of complete realization of the set goals and a constant threat of disintegration." (22)

At the same time "Eurobuilding" means constant compromise and partial agreements based on common interests between competing partners on the most important economic problems. It is a process conditioned by the objective normality of the internationalization of economic life noted by V.I. Lenin, "when the productive forces of world capitalism have outgrown the limited framework of national-state divisions." (23) It is the forced strategy of monopoly capital and the Community's institutions aimed at adaptation to the internationalization of production under the conditions of the struggle of the two social systems.

West European integration is a conflict-ridden process. It is engendering and exacerbating antagonistic contradictions, but not standing still, like, equally, the institutional mechanism and "common" policy of the Community. The crisis phenomena in monopoly integration do not mean the paralysis of the EC. As the progressive West German economists H.-J. Axt and F. Deppe rightly observe, "...the crisis has not called in question the economic interweaving since integration corresponds to the conditions of reproduction in the national economies."(24) The Community is developing via contradictions and compromise and via the partial realization of projects of the common market, "agrarian Europe" and the European currency system. S&T integration is proceeding along this path also.

The significance of this process should be neither exaggerated nor belittled. It is not a "technological Europe" with extensive exchange and regulation and not yet even a "European technological challenge" to the United States, but nor is it "Europaralysis" and just hare-brained schemes and dreams. There is a real process of international S&T cooperation, the molding of public opinion in support thereof and mobilization of S&T potential for the solution of technological problems of integration in West Europe.

Joint S&T policy occupies an increasingly important place in West European integration as a whole. Against the background of the intensification of the crisis contradictions of "agrarian Europe," exacerbation of the problems of currency-finance integration and other socioeconomic difficulties which the Community encountered on the frontier of the 1980's, the development of a regional mechanism of S&T cooperation within the EC framework is assuming the role of a factor lending impetus to a deepening of West European integration.

The results of S&T integration are, albeit real, as yet negligible. They include a number of developments in the energy sector, the thermonuclear synthesis plant in (Calham), which is the biggest in the capitalist countries and which has been operating since 1983 (the JET program), for example, and a number of programs which have been implemented in medicine and veterinary science, agronomy, information science, biotechnology and in the sphere of environmental protection. As follows from EC documents, coordination of the manufacture of the latest types of computers has been achieved in the course of realization of the ESPRIT program. Computers are being actively introduced to the nonproduction sphere, and audio-visual (sight and sound) electronic equipment is regarded as a strategic sphere of the Community's service economy.

In the sphere of information science cooperating firms and universities of France, the FRG, Italy and Britain have established "European standards" of production quality and conditions. An electronic translator--the world's fastest--has been created at Louvain University. More than 100 contracts have been concluded and results have been achieved in the sphere of genetics and agriculture "stimulating the Community's agro-industrial development"(25) in accordance with the program for the development of biotechnology for 1982-1986, in which 103 laboratories are participating.

The interaction of the Community authorities and private capital has become more active, and the financing of firms and universities from EC funds is

increasing. Thus in 1986 the European Investment Bank allocated the Philips firm (Holland) 80 million ECU for realization of a program for the creation of new-generation microcomputers. The European Community Industrial Federations Union (UNICE) supported ECC initiatives increasing the competitiveness of the economy of the member-countries and contributing to the creation of new laboratories and the development of joint research centers.

Community policy in the sphere of new technology is oriented mainly toward the use of the contract mechanism of the financing of joint research in government laboratories, universities and industry. Processes of private-monopoly integration in the sphere of advanced research, which, Community theorists intend, are to be the basis of future S&T and industrial integration, and are thereby stimulated. An agreement was reached in 1985 on such cooperation between four leading West European companies in the electronics sphere: General Electric (Great Britain), Philips (Holland), Siemens (FRG) and Thomson (France).

At the same time the overaccumulation of capital, "surplus" capacity and the discrepancy between the rapid growth of new technology and the manpower support necessary for servicing it are setting limits to the development of S&T integration, causing profound contradictions between state and private-monopoly integration in this sphere, between the EC authorities and the member-states and between the power centers of capitalism and making for the slowness and fragmentary nature of the process.

EC experts are noting the national separatism, preferential development of cooperation between West European and American firms, the inadequacy of financing from Community funds, the unevenness of the contribution of individual countries, the ineffectiveness of supranational regulation and the weakness of intergovernmental cooperation. Despite the enhanced role of S&T integration, they believe, "a common scientific research policy...has yet to occupy a firm place in the Community's regulatory mechanism and is not performing the central role essential for the Europe of the future." (26)

In order to respond to the technology challenge of the United States and Japan, the monopoly capital of the Community countries is attempting to overcome the discreteness of the domestic market, unite developments and the subsequent application of their results and avoid the duplication of R&D. However, the policy which the EC countries are pursuing in respect of questions of S&T cooperation lacks unity. The French Government is limiting this cooperation, the Italian Government is giving preference to relations with American firms. Italy's companies in the sphere of aeronautics and nuclear power are cooperating with Westinghouse, and in the sphere of the telephone system, with ITT. The British Government is encouraging the penetration in the country of Japanese capital: in the auto industry, of Honda and Nissan, in electronics, of Sony and so forth. An ECC attempt in 1982 to achieve even a partial unification of the markets of government orders in telecommunications production ended unsuccessfully.

West European firms frequently prefer to conclude contracts with American and Japanese firms and not between themselves. For example, in the production of large computers all West European firms without exception have signed agreements with transatlantic enterprises, attempting to benefit from the

technological superiority of the latter. This is largely connected with the fact that there is a striking contrast in the profitability of the manufacture of information science hardware in the United States and West Europe. In terms of the magnitude of the annual turnover of this sector, the United States outstrips West Europe almost threefold (\$89 billion and \$33 billion respectively), and in terms of the profit norm, by a factor of almost 1.5 (9 and 5.8 percent).

This situation is explained not least by the limited and incomplete nature of the common market. At the same time, however, the U.S. domestic market exceeds fivefold, it is estimated, the capacity of the market of the biggest West European countries. The creation, however, in the EC of a truly common new technology market is still far from complete. In the estimation of the European Parliament's Financial-Economic Commission, administrative-financial difficulties connected with the incomplete nature of economic integration are making for an additional expenditure totaling 12 billion ECU, which leads to a 5-10-percent increase in the cost of commodities. As a result the higher profit norm across the Atlantic and also the impediments and limitations which exist within the framework of the West European integration grouping are stimulating the export of the capital of the most successful West European firms to North America.

FOOTNOTES

1. "L'economie de la Communauté européenne," Luxembourg, 1982, p 40.
2. For more detail see "New Trends in State-Monopoly Regulation at the Frontier of the 1980's," Moscow, 1982.
3. The average annual increase in GNP has declined to 2-3 percent, inflation has on average approached 10 percent, the increase in investment has not exceeded 1 percent and labor productivity has grown only half as quickly as in the 1960's. Unemployment has assumed mass proportions, encompassing in 1960 some 2 percent, in 1975 some 4.3 percent, in 1978 some 7.5 percent and in 1986 more than 11 percent of the active population (ECONOMIE EUROPEENE, November 1985, pp 170-178).
4. See "La crise en Europe," Paris, 1980, pp 13, 30
5. BUSINESS WEEK, 1 February 1982, p 27.
6. See LE POINT, 29 April 1985, p 26.
7. "L'economie de la Communauté européenne," Luxembourg, 1984, p 38.
8. See PROBLEMY MIRA I SOTSIALIZMA No 1, 1985, p 12.
9. See "La crise en Europe," p 185.

10. SOCIALISME, March-June 1984, p 123.
11. See "La crise en Europe," pp 25,28.
12. "La politique de la recherche de la Communauté européenne," Brussels, 1984, p 7.
13. For more detail see VESTNIK MOSKOVSKOGO UNIVERSITETA. SERIYA EKONOMIKA No 4, 1984, pp 52-60.
14. The CREST was formed in January 1974, and it is made up of two representatives from each member of the Community and the ECC representative. Thus the CREST plays the part of a kind of middleman between the ECC on the one hand and the national governments and the Council of Ministers on the other. The CODEST was organized in 1983 in place of the European Research and Development Committee (CERD), which had operated since 1973. The CODEST includes authoritative experts of the member-countries. It is designed to ensure the ECC's direct contacts with scientific circles.
15. The center has four branches located in Ispra (Italy), Karlsruhe (FRG), Petten (Netherlands) and Geel (Belgium), in which approximately 2,300 research assistants are employed. In 1984 its budget constituted 180 million ECU ("Documentation européenne. La politique de la recherche de la Communauté européenne," Brussels, 1985, p 29).
16. REVUE DU MARCHE COMMUN, Sep-Oct 1985, p 468.
17. The leadership of the program of FAST, which was set up under the general management of the ECC for research, science and education, includes research associates specializing in the sphere of sociology, systems analysis, technology and economics. FAST conducts joint research, concludes contracts with specialists and finances programs of the West European research centers and EC bodies; and organizes seminars, conferences and an exchange of information between member-countries.
18. See "Les partenaires sociaux face au changement technologique. 1982-1985," Geneva, 1986, p 55.
19. See "ESPRIT: pour l'avenir de l'Europe," Luxembourg, 1984, p 10.
20. "L'Europe des nouvelles technologies," Brussels, 1984, p 9.
21. K. Marx and F. Engels, "Works," vol 23, p 722.
22. F. Deppe, "Westeuropäische Integration als Krisenprozess" in "Arbeiterbewegung und Westeuropäische Integration," Cologne, 1976, p 9.
23. V.I. Lenin, "Complete Works," Vol 23, p 722.

24. H.-J. Axt, F. Deppe, "Europaparlament und EG-EZ-Weiterung: Krise oder Fortschritt der Integration?" Cologne, 1979, p 62.

25. See COMMUNAUTE EUROPEENE INFORMATIONS, 15 May 1986, p 12.

26. "L'economie de la Communauté européenne," pp 41, 42.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya," 1986.

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ROBERT McNAMARA ARTICLE ON U.S.-SOVIET STRATEGIC BALANCE

[Editorial report] Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, December 1986 publishes on pages 76-94 the "full text" of a report delivered by Robert McNamara at a conference on international problems held in October 1986 in Osaka, Japan and organized by the Tokyo newspaper MAINICHI. The report is preceded by an introduction on pages 75-76 by Academician Ye. Primakov. Primakov approvingly cites McNamara's criticism of "Star Wars" and his praise for Gorbachev's 15 January 1986 nuclear disarmament proposals. However, Primakov criticizes McNamara's comments on Soviet nuclear strategy.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1986.

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WESTERN GOVERNMENTS' PRIVATIZATION, DEREGULATION POLICIES VIEWED

'Conservative' Economic Regulation

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 99-106

[Article by I. Osadchaya: "Shifts in the Concept and Practice of State Regulation of the Economy"]

[Text] The profound changes occurring in the economic structure of the present-day capitalist economy have encompassed both the productive forces and production relations. The new stage of the S&T revolution is doing away with the old sectoral relations within countries and on an international scale and engendering new production engineering processes, and the organizational forms of state and private enterprise and their interaction are changing here also. Considerable changes are occurring in the correlation of the state and market mechanisms of regulation of the capitalist economy. New contours have marked the state's economic policy also.

As contradictory as the process of the structural reorganization of the capitalist economy based on the latest directions of the S&T revolution is, just as contradictory is the process of institutional reform of state-monopoly capitalism itself. The streamlining of relations between the state and capitalist enterprises, the increase in the efficiency of state regulation and the lowering of its costs and the easing of direct forms of intervention and bureaucratic control of enterprise activity are closely connected with an offensive against the rights and gains of the working people, an abandonment of social guarantees and a conscious intensification of the role of competition and factors of risk and uncertainty designed to enhance labor discipline by typically capitalist methods.

We define all these contradictory processes as transition toward a conservative form of state regulation of the economy and a conservative form of state-monopoly capitalism.

Conservative governments of developed capitalist countries see as the main purpose of intervention in the economy removal of the obstacles in the way of long-term growth and capital accumulation, which fetter private enterprise, prevent an increase in private savings and limit the market mechanism. They

consider as such obstacles inflation, high taxes, a high level of the state's social and economic spending and "superfluous" administrative and legislative restrictions of a social and ecological nature. It is these considerations which are basically determining the strategy of the reorganization of relations between the state and business. The latter is being implemented in two basic directions. The first is a change in the institutional structure in which this system or the other of the mutual relations of the state and the private-enterprise sector is embodied and enshrined. The second is shifts in economic policy and its aims and priorities, in the instruments of influence of the economy and in the nature and focus of this influence.

Of course, both these directions are interconnected; however, precisely the scale of the institutional changes may testify to the depth and duration of the on-going changes.

Among the institutional changes, greatest significance is attached to the reduction, on a considerable scale, in the state sector in the shape of nationalized enterprises or state-owned enterprises proper (primordial), and mixed state-private companies or firms under the administrative control of the state (public enterprises in the United States, for example). Reprivatization, partial or full, and deregulation (lifting of government control) mean an appreciable expansion of the sphere of domination of private-monopoly capital inasmuch as part of state property passes into the hands of monopoly firms.

Analyzing the present wave of reprivatization and deregulation--these most important processes characterizing a departure from the liberal-bourgeois and formation of the conservative model of state-monopoly capitalism in the majority of developed capitalist countries--we must again return to the question of the role of state ownership and, if more broadly, to the question of the forms of socialization under the conditions of state-monopoly capitalism in general. The relatively simplistic notion is still encountered in our economic literature according to which the development of SMC is the result of the surmounting of the barriers which the joint-stock form of ownership puts in the way of the further development of the productive forces with the aid of nationalization--that is, the formation of state ownership, and the latter is the highest form of socialization. Whence it should logically follow that where there is more of this ownership, SMC is more developed; and it would seem that the path of development of ownership under the conditions of SMC is from private, via cooperative forms to state (1). But is this the case?

The idea according to which forms of ownership develop from private-capitalist to cooperative forms and, subsequently, to the state form of ownership is not only simplistic. It is contrary to actual reality. The economic systems of the developed capitalist countries are demonstrating today the most diverse combinations of these forms of ownership, their coalescence between themselves and changes in the correlation between them, to which the ascendant wave of reprivatization, in particular, testifies.

The facts show that the proportion of state ownership in individual capitalist countries and, specifically, the structure of this ownership are highly diverse and, what is most important, are by no means directly connected with

the level of development of state-monopoly capital. Whereas in the developed capitalist countries of Europe this proportion has been high and has taken shape basically thanks to the entrepreneurial sector in the sphere of industrial production, in the United States and Japan state capital assets have been concentrated predominantly in sectors of the infrastructure, whereas in industry the assets of the state have been small. However, this is no reason to assert that the degree of socialization and, consequently, level of development of SMC directly connected with socialization has been lower.

If we exclude sectors of the infrastructure, which serve the reproduction of all social capital (education, health care, fundamental research, transport, communications and other enterprises of general use), where state ownership and state enterprise are the inevitable result and condition of the development of the productive forces, there is no such strict a regularity under the conditions of capitalism in respect of the bulk of sectors of material production.

Monopoly capital is the fundamental adversary of nationalization and state ownership even in its bourgeois forms. As a rule, it consents to direct nationalization only under pressure of special circumstances because this is a method of the rapid solution of some economic or sociopolitical problems at any price, to a considerable extent thanks to the budget. This is why the biggest enclaves of the state sector have arisen under wartime conditions, for the creation of military production, for the accelerated development of the sectors on the crest of S&T progress, under the influence of political and ideological factors and also in the name of the rescue of crisis-ridden, as a rule, base sectors of the economy. It is significant that F. Engels, declaring that "the state, as the official representative of capitalist society, has been forced to assume leadership of production," emphasized that this compulsion "ensues primarily for the major means of communication: post, telegraph and railroads." In addition, Engels emphasized that by no means is every form of nationalization a manifestation of socialization and, consequently, a step en route to the socialization of ownership: "I say 'FORCED' since only when means of production or communications REALLY outgrow the control of joint-stock companies and when their nationalization becomes ECONOMICALLY inevitable, only then... is it economic progress and a new step en route to society itself taking into its possession all the productive forces." Engels adduces a whole number of examples of nationalization or state building brought about by political, military-strategic or purely fiscal reasons. These were, in his words, "not a step toward socialism, either directly, indirectly, consciously or unconsciously" (2).

In tackling some immediate or long-term tasks, state enterprise begins in time to discover a whole number of negative qualities, which, however paradoxical, originally appeared to be advantages thereof. These are, as a rule, the complete monopoly position of the state enterprises engendering a trend toward stagnation, direct ties to the budget, bureaucratization of the managerial machinery; low efficiency (and unprofitability at times) in connection with the social focus of these sectors and frequently owing to special pricing policy. It should be emphasized here that what is important is not the legal form of ownership in itself but the principles on which the enterprise operates and the degree of its independence and incorporation in the

competitive system. It is not fortuitous that the majority of nationalized enterprises of France (as distinct from Britain) operating essentially on the same principles as the private-capitalist monopolies have been, as a rule, efficient.

However, for monopoly capitalism the most natural way of solving the problem of the efficiency and competitiveness of the state sector is, for all that, reprivatization. This is all the more so in that the spread of the present wave of deregulation has been accelerated by the colossal exacerbation of international competition at the current stage of the S&T revolution, the structural reorganization of the economy of literally all countries of the capitalist world and the internationalization of the economy and also the sharp intensification of conservative ideology and the offensive of monopoly capital against the gains of the working class.

Of course, the reprivatization process has its economic and political limits. First, there are so many loss-making sectors, which are at the same time important from the viewpoint of the country's economy, which private capital cannot attract to itself. Thus the weekly THE ECONOMIST writes that investors will hardly be in a rush to buy up the shares of British Rail or the National Coal Board. Second, the state nonetheless aspires to maintain control in the leading sectors of the economy, the more so when a threat of the complete transition of the corresponding firms to the control of TNC arises. In this case the government consents merely to a partial sale of the reprivatized enterprises (this policy is particularly characteristic of the FRG). Finally, the workers movement and the struggle of the unions and forces of the left--primarily a question of the employment of thousands upon thousands of workers and employees for whom capitalist streamlining is resulting in the loss of jobs and the need for retraining and change of place of residence even--are an important factor.

Is the present stage of reprivatization a step back in the development of socialization processes and, consequently, in the development of SMC? It seems to us that such a conclusion would be unfounded inasmuch as the forms of socialization which are born in the depths of SMC and which provide for the adaptation of capitalist production relations to the contemporary level of development of the productive forces are extremely diverse. The development of state-monopoly regulation is revealing the multilevel nature of the forms of socialization. They are also being manifested in new forms of the organization of monopoly capital as internationally interwoven capital surmounting the framework of national joint-stock companies and raising collective capitalist ownership to a new level. They are also being manifested in various forms of state leadership of social production by way of the implementation of economic policy and indirect methods of regulation based on increasingly complex systems of mixed, state-private enterprise and the broadest development of the contract system making modern SMC an increasingly mixed, intrinsically interwoven organization in which the state, the monopoly and competition constitute an organic, albeit intrinsically contradictory, unity.

State Ownership Not Main Question

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 99-106

[Article by S. Peregudov: "It Is Not Just a Matter of Forms of Ownership"]

[Text] In speaking of the problem of nationalization-privatization we are inclined primarily to emphasize attention to the fact of the transfer of ownership from the hands of private capital to the hands of the state and vice versa. However, it seems to me, such an approach forces us, whether we like it or not, to pose the question merely on one plane: nationalization or privatization, and to argue which of these policies corresponds to the greater extent to the realities of the current stage of the development of SMC. The question of WHAT KIND of nationalization and WHAT KIND of privatization absents itself, as it were, or recedes into the background here.

Such logic of a study of the problem is, in my view, a direct consequence of disregard for such a most important aspect thereof as the administration of the property. After all, even while remaining the plenipotentiary proprietor of the enterprises and firms, the bourgeoisie by no means administers them under the conditions of contemporary SMC in as unchecked a manner as was the case earlier. And there is evidently much in modern conservatism that we do not understand if we fail to consider that a most important motive of the bourgeoisie, and not just the monopoly bourgeoisie, what is more, is the endeavor if not to restore the plenitude of entrepreneurial and managerial power, then at least to lessen the interference in the economic life of the state of the unions and the workers movement in general, which is encroaching on the "sacred right" to administer private property. In this context denationalization is a method (or form) of state intervention in the economy in keeping with the changed correlation of social and political forces. All this has been discussed in this connection or the other. I, however, would like to emphasize the organic unity of the problems of ownership and administration of property and the need for a study thereof in the closest interconnection.

Such an approach is even more pertinent when we switch to the question of the crisis of nationalization and an explanation of the reasons for such striking successes in privatization and deregulation, which are largely reducing to nothing the achievements of the left, democratic forces in the struggle to limit the power and influence of big capital.

It would seem to me that the said crisis cannot be understood without consideration of the forms in which the nationalization was realized. These forms essentially precluded any participation of the personnel of the nationalized companies and sectors in the management thereof and predetermined the concentration of the plenitude of power at the enterprises in the hands of the state. All the demands of the forces of the left and the worker and union movement for empowered representatives of the union organizations of these sectors to be made part of the management of the nationalized sectors were completely ignored. Individual union figures, frequently already retired, were incorporated there at best. They bore no responsibility to the workers and

employees employed in the given sectors. The same fate befell the demands for the creation of empowered bodies of worker representation at the enterprises themselves.

In other words, a statist-bureaucratic model of nationalization prevailed, in accordance with which the state not only owns but also fully administers the means of production, distribution and exchange which have been transferred to its ownership. The spread of such a model here to increasingly new sectors of the economy was presented by rightwing social democracy as the arterial path of Western countries' progression toward socialism. Entirely in keeping with these ideas were also the forms of public control over the state corporations, which amounted to parliamentary oversight and almost totally excluded the enlistment in this supervision of consumer associations and other social organizations and groups.

A lowering of the purely economic efficiency of the nationalized sectors (which has been dealt with in sufficient detail in the course of the discussion) and also a palpable reduction in the quality of the goods and services they offered were the result of such a bureaucratic system.

From this comes the gradually increasing skepticism on the part of both the populace as a whole and a very considerable proportion of the working class in respect of nationalization as a method of solving socioeconomic and political problems. The fact of the sharp reduction in the prestige of nationalization and state ownership as such is confirmed both by numerous public opinion polls and the attitude of the electorate to the parties moving the demands for nationalization to the fore. It is also confirmed by the ease with which the conservatives in the vast majority of cases are realizing their plans for privatization. The resistance which it is meeting on the part of the unions whose members are employed in the sectors and at the enterprises belonging to the state is largely explained by considerations of a narrow economic plane, primarily apprehensions concerning the preservation of jobs. The ideological aspect, although it exists, is not, as a rule, playing a decisive part.

I believe that were nationalization to be implemented by other, democratic methods and were used to take a perceptible step forward in realization of the ideas of genuine economic democracy and if the workers of the state-owned enterprises and services and their unions were associated with the running of the property, both the results of the activity of these enterprises and the attitude toward them on the part of the working class and the populace as a whole would be different.

It will be said in objection to this that it is a question of capitalist nationalization subordinated to the logic of the capitalist production mode and that what I am talking about here is utopia. I can only say that the working class, its parties and the unions have within the framework of capitalism achieved very, very appreciable changes in both the socioeconomic and political planes. We would recall if only universal suffrage, the introduction of which even in the period of the burgeoning of bourgeois parliamentarianism was regarded by many people as utopian. I would also like to turn in corroboration of what has been said to the monograph of the well-

known Soviet scholar A. Veber, which provides a broad historical panorama of the struggle and achievements of the working class under the conditions of capitalism (3).

Currently many people are speaking, and rightly, about the difficulties of the worker and trade union movement. The problem we are studying is a most important aspect of these difficulties. Both the deep-lying basis and, perhaps, the essence even consist of the lack of correspondence and outmoded nature of the former approaches to problems of ownership which have evolved in the workers movement. And I am convinced that they can hardly be overcome without the formulation of new approaches to this key problem of social development, primarily without an abandonment of the dogmatic notion that the transfer of enterprises, sectors and even the entire economy to state ownership in itself solves all or virtually all problems. I would say that in tackling some problems, and sufficient has been said about them already here, such nationalization simultaneously creates a mass of others. It leads to the actual usurpation of the right to administer state property by a narrow group of managers, administrators and the political elite and, ultimately, to the disparagement of the very idea of nationalization.

This is why, it would seem to me, such exceptional significance is now attached to problems of the formulation of ways of struggle for genuine economic democracy and the working people's real participation in management. Of course, such a struggle is inconceivable without a certain encroachment on the power of the businessmen and managerial elite--private-capitalist or state. Capitalism, of course, will remain capitalism until the relations of ownership and power in bourgeois society undergo fundamental changes. However, struggle within the framework of the system and the gains which the working class is managing to achieve in the course of this struggle are by no means merely the defense of interests of the moment. It is preparing the conditions for a decisive, qualitative change throughout the system of social relations, and for this reason the greater its successes, the easier and less painful this change will be.

There are already many indications that an understanding of the need for a new approach to problems of ownership is penetrating the worker and trade union movement and the political parties of the working class increasingly deeply. I would like to cite in this connection just one example from British reality, which is more familiar to me. Quite recently the leadership of the British Trade Unions Congress issued the "Industry for the People" program, which attempts to feel out new paths of nationalization and suggest new principles of the management of state-owned enterprises and services. It proposes the real participation of the personnel of the enterprises in the management thereof in the state sector and the sectors which will be renationalized. Simultaneously it puts forward the idea of the creation of "consumer committees" locally designed to monitor the quality of goods and services rendered by the state sector and to report regularly to the consumers. It is proposed making use here of the experience of the local health authorities, which collect patients' complaints and adopt measures to remove shortcomings which are ascertained. The program paper "Public Ownership--Prospects for the

1990's," which makes a similar attempt to formulate the criteria of a democratization of management of the state sector, was prepared for the Labor Party Conference.

Such approaches are characteristic, as far as I know, of the workers movement of a number of other countries also. Plans are being drawn up simultaneously here for extending the principles of economic democracy to enterprises and firms of the private sector. It would seem that, given the sufficiently successful implementation of these plans, the effect in the sense of limitation of the power and influence of big business will be no less and, perhaps, greater than from traditional-type nationalization. In any event, turning such development back will be far more difficult. At the same time, however, this will be an exceptionally important step in the direction of genuine socialization.

Of course, it is quite easy emasculating all that has been described above and implementing purely formal measures or being guided by the principles and canons of "management coparticipation" precluding the real participation of the masses and their organizations in the decision-making system. Then even the most correct slogans and words hang in the air and fruitful ideas are discredited. It was this, it seems to me, which happened with the self-management slogan proclaimed by the French socialists on the eve of their assumption of office in 1981. Despite all the good intentions, nationalization was carried out by and large per the traditional model, and there was no attempt even to realize in earnest the idea of self-management, which remained, incidentally at the slogan level. It was this, I believe, which was one of the main reasons for the ease with which the J. Chirac government has been unwinding the spiral in the opposite direction.

In our time, when the masses judge everything according to the actual results of the changes which have been or are being implemented, questions of the administration of property have moved or are moving to the forefront of social development practically everywhere.

I would like in conclusion to make a brief observation in connection with the question of the "burden of social obligations" entrusted to the nationalized sectors. In the context in which this has been discussed this proposition has been heard such that this burden has been entrusted to them by force of circumstances beyond anyone's control. I believe that in reality this is not the case. It is a question once again here of the actual correlation of class forces. Taking advantage of its economic and political might, private business is preventing this burden being extended to it also. The traditional form of nationalization precluding the participation of the masses and democratic public in the solution of the question of distribution of this burden makes it easier for business and the state to shift it onto the nationalized sectors. However, this by no means signifies that nothing can be changed here and that by virtue of its very nature the state sector is condemned to remain in a disadvantageous position compared with the private-capitalist sector.

What has been said, I believe, shows for the umpteenth time that socio-class dimensions of the nationalization problem have to be taken into consideration when examining even its seemingly purely economic aspects.

'Nationalization Not Outmoded'

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 99-106

[Article by V. Peschanskiy: "Nationalization Not Outmoded"]

[Text] The discussion of the problems of nationalization and privatization is extraordinarily timely and important. The start of the discussion was interesting and useful, although I cannot agree with the main direction of the first speeches and their "spirit".

Many arguments have been adduced in the course of the discussion against state ownership under the conditions of the developed capitalist countries. It has been said, inter alia, that state ownership leads to the preservation of inefficiency, that the nationalized sectors are burdened with "social obligations" and that this predetermines their tragic situation. As a result the state monopoly is in no way better than the private monopoly, if not worse.

These are neoconservative, "Thatcherist" arguments familiar to me and many participants in the discussion. This fact in itself says nothing. It is useful to listen to the arguments of the ideological and political adversary, and they need to be taken into consideration--they could be right. In this case they are not.

It is necessary, in my view, for a more precise analysis to distinguish several individual aspects of the problem of nationalization and state ownership (which were somehow confused in the speeches).

I will first touch on the question of the role of state ownership under the conditions of contemporary capitalism. Is it progressive or reactionary? It, in turn, is subdivided into two "subquestions". The first concerning the direct role of state ownership in the countries of the West, and the second concerning its role, potential partly, from the viewpoint of the prerequisites for transition to a higher social system.

I cannot agree that nationalization leads to the preservation of inefficiency. If we take the Britain about which V. Studentsov spoke, the nationalization here of an extremely outmoded coal industry made it possible to modernize this sector fundamentally with the aid of large-scale capital investments. The fate of railroad transport, ferrous metallurgy and other sectors was similar. The speech on France also mentioned more modernization than the preservation of backwardness.

Further, "social obligations" signify the best pension and medical service conditions, the creation of workingmen's clubs in the mining communities of Great Britain and so forth. All this has been extremely important primarily for the workers, who avail themselves of this, but also for other working people of the country, who gained, as it were, a reference point and model of what they could fight for.

Nor should we forget one further very essential point. Britain's nationalization laws contained articles concerning recognition of the unions and encouragement of their activity. Organization in the unions is highest precisely in the state sector. It is the bastion of the entire union movement. The situation in France and, I believe, other countries is largely similar.

In addition, at least in Britain, representatives of both the working class and the middle strata employed in the state sector are more inclined to support the parties of the left and vote for them at elections than their colleagues working at private enterprises. The same regularity operates in France also.

Does nationalization create the prerequisites for a transition to socialism? I believe that, yes, it does. It has been said here that nationalization is merely a form of socialization, and mention was further made of the role of cooperative ownership, local authority ownership and so forth. I also attach great significance to the development of cooperative ownership (and I would like to observe at the same time that the cooperatives in general and worker cooperatives in particular are not being studied here, unfortunately). I agree that the significance of local authority ownership is as yet underestimated (and here also the lack of study of the local authorities by both economists and political scientists has to be established). Can it be considered, however, that a transfer to local authority or cooperative ownership is capable of substituting for nationalization? It would seem not. The very size of modern capitalist enterprises and the level of concentration of production and capital make this extremely difficult, if not impossible.

As far as nationalized, "statized" ownership is concerned, it is a question here of a form of socialization which, it would seem, is closest to socialist ownership, albeit different from it in principle. A comparatively direct path toward socialist ownership is opened here. It is here that the problems of administration and management and their democratization whose significance is rightly emphasized by S. Peregudov come to the forefront.

The next aspect of the problem which is worth highlighting is: what is the role of nationalization and privatization in the current structural reorganization of capitalism? Is the reprivatization of a number of sectors for such structural reorganization and for assimilation of the most important achievements of the S&T revolution within the framework of capitalism necessary? Or, to put the question somewhat differently and somewhat more broadly: can these problems be solved only by methods of neoconservatism--by way of dismissals and increased unemployment and the undermining of the strength of the unions? Or, besides the "Stolypin" way, is the democratic way practicable? This is a question the answer to which has to be expected, apparently, more from economists. Nonetheless, it seems to me that there has to be the second alternative.

As an argument against nationalization reference has been made to the present unpopularity of the very idea thereof in broad circles of the population of Western countries, among the working people included; among those who at the elections vote for the mass workers parties. Such facts are indisputable

(although such sentiments are not prevalent in all Western countries). However, they indicate, I believe, not the flawed nature of the principle of nationalization under capitalism but how it has been implemented. A British union official who visited our institute recently said that shortly after the nationalization of the railroads he had inquired of a railroad worker: "Well, then, it's a very good thing that the railways have been nationalized, is it not?" And heard (as a surprise to himself): "But what about us, no one asked us, it was all decided without us" (I do not believe, incidentally, that a member of the Mineworkers Union could have answered in such a way--this trade union strove for many years for the elimination of private ownership of the mines and their transfer to the state, and the miners were prepared for nationalization and took it as their victory).

The undemocratic nature of the nationalization plus the bureaucratism of the system of management of the sectors and enterprises transferred to the state--this and not flaws of the idea itself is the reason for its present unpopularity. The "Industry for the People" statement recently issued by the British Trade Unions Congress observes: "In their present form the nationalized sectors have not evoked in the people any perception of ownership of the state enterprises and sense of belonging to them." Of course, nor can the powerful impact of bourgeois propaganda be forgotten either. But even under such conditions the moderately leftwing and militant Telecommunications Workers Union put up a stubborn fight against the intention (now realized) of the Thatcher government to denationalize British Telecom. Strong opposition of various strata of the population to government privatization plans is observed in the FRG and also in other countries with such plans.

The removal by social democratic and a number of communist parties of the program demand for nationalization has been brought about, I believe, by market-political considerations to a considerable extent. All these parties are emphatically opposed to the plans for privatization being implemented by the conservative governments. At the same time, however, these parties' programs have no alternatives to nationalization and other ways of socialization of private-capitalist property which are clear in any way.

There is currently quite a wide-ranging discussion in the Communist Party of Great Britain on problems of nationalization, which is seen as part of an overall "alternative economic strategy". The emphasis is being put entirely legitimately here on the need to democratize public ownership from top to bottom.

In conclusion, I would like to recall the words spoken by Frank Cousins, a most prominent British trade union figure, a quarter-century ago during a debate in the Labor movement: "We can have nationalization without socialism, but we cannot have socialism without nationalization." The first case has been confirmed many times over. The second would seem correct to me also. Of course, and this is of fundamental importance, it is a question of democratic nationalization--with a greater element of participation in management both of working people employed at the corresponding enterprises and of the consumers, the populace and the public.

No other way of combating the domination of the monopolies in the economy can, I believe, be seen.

FOOTNOTES

1. "Currently, when the majority of forms (of ownership--I.O.) have become an impediment to the development of the productive forces, the greatest scope for their progress within the framework of the capitalist production mode is afforded by state ownership of the means of production and national income." Further, "So it may be assumed that, in accordance with the demands of the law of the correspondence of production relations to the level, nature and structure of the productive forces, the latter will be further developed at the stage of imperialism within the framework predominantly of state capitalist ownership. State-monopoly ownership (arising as the result of the merger of the state and monopoly forms of ownership), as the less developed ownership preceding it, has ultimately become an impediment to the further improvement of the productive forces and shackles thereof" ("The Laws and Categories of K. Marx's 'Das Kapital' in the Light of Contemporary Knowledge," Kiev, 1986, p 242).

2. See K. Marx and F. Engels, "Works," vol 19, pp 221-222.

3. See A.B. Veber, "The Class Struggle and Capitalism," Moscow, 1986.

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JUNE 1986 VIENNA CONFERENCE ON EAST-WEST TRADE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 111-115

[Article by V. Klyuchnikov: "New Vistas of Cooperation"]

[Text] Following careful preparation the "Vienna III: New Vistas in East-West Trade and Cooperation" conference assembled in Vienna in June 1986. Like the preceding (Vienna I in 1974 and Vienna II in 1979) ones, the conference was of a nongovernmental nature. More than 300 representatives of various business, research and social organizations from 23 countries and 15 international organizations, including the United Nations, took part. The USSR's participation was prepared by the Soviet Committee for European Security and Cooperation.

Our delegation was headed by D.M. Gvishiani. Such prominent politicians as K. Stubenrauch, secretary of state in the GDR Ministry of Science and Technology, J. Fekete, president of the Hungarian National Bank, O. Wolf von Amerongen, president of German industry's Eastern Committee, J. Deflassier, president of the French Credit Lyonnais Bank, U. Agnelli, president of the Italian FIAT motor company, D. Kendall, president of the American Pepsico, Lord Jellico, president of Britain's Board of Trade, the well-known scientist A. King, president of the Club of Rome, K. Sahlgren, executive secretary of the UN Economic Commission for Europe, and representatives of business circles and the public of other countries, who advocate detente, all-around mutually profitable cooperation and a strengthening of peace and security, participated in the conference.

A message was addressed to the conferees by UN Secretary General Perez de Cuellar. It said that the United Nations had decided to include the Vienna III conference on the list of most important measures of the Year of Peace.

A businesslike discussion was conducted at the conference and in its working commissions on the state of trade and cooperation and development prospects and on existing obstacles and ways of overcoming them. The participants displayed great interest in the decisions of the 27th CPSU Congress. The final document emphasized particularly that the national 5-year plans of economic and social development and the Comprehensive Program of CEMA Countries' S&T Progress for the Period up to the Year 2000 "could afford new possibilities

and thereby contribute to the development of broader East-West cooperation and mutual understanding." The participants welcomed as a positive phenomenon the dialogue starting between CEMA and the European Community, the purpose of which is the establishment of official relations between these economic associations.

The guiding principles of the conference were realism and new thinking. This was reflected in new initiatives, ideas and specific proposals and projects.

The Vienna III conference prompted many scientists and public figures to interpret the Helsinki process in greater depth and ponder what has taken place in East-West cooperation since the time of the Madrid meeting, who its supporters and who its opponents are and what its prospects are like.

The history of East-West cooperation is rich in events and abrupt changes sometimes for better, sometimes for worse. The first and most characteristic feature of this cooperation in all spheres--economics, trade, culture and science--is the high degree of politicization. "Capitalism," the material of the 27th CPSU Congress says, "greeted the birth of socialism as a 'mistake' of history which had to be 'corrected'." It has attempted to achieve this by various methods--military interventions, economic blockades, embargoes and sanctions and a refusal of any cooperation whatever.

Socialism, on the other hand, proclaimed as the basis of its foreign policy the principle of peaceful coexistence, which incorporates peaceful confrontation and cooperation, and under the current conditions of an interdependent world, solidarity and interaction in the solution of global general problems. The contrast of the political approaches has been reflected in the development of East-West economic cooperation and trade. Economic relations between them are an organic component of the world economy. They are objectively taking shape under the impact of both fundamental differences of the socioeconomic systems and common economic trends and geographical, historical and cultural factors contributing to an expansion of all-around cooperation, all-European included.

Contrary to the natural order and common sense, the all-European house was for many years divided into two halves. Trade between countries of East and West Europe has developed quite unevenly in the postwar period. The main thing, however, is the fact that the scale of the trade relations in no way corresponds to the tremendous potential of East and West Europe.

What is preventing the rapid development of trade and cooperation between them, what is the nature of the obstacles and are they of an economic or political nature? At the Vienna III conference some participants discerned difficulties in the political barriers. Others, on the other hand, declared that practice did not confirm the influence of fluctuations in the political climate on East-West trade. It seems to us that economic cooperation between them testifies to the tremendous role of political aspects. It is widely known that in the cold war period East-West economic relations reached their lowest level.

Detente cleared the path, and a rapid growth of cooperation began. Western firms had in the CEMA countries a dependable market. The CEMA states also benefited, purchasing advanced technology and exchanging the latest S&T achievements and management experience. However, even in this comparatively auspicious decade--the 1970's--Western states limited their exports with various protectionist barriers.

The development of East-West trade and cooperation was brought to an abrupt halt at the start of the 1980's. The economic crisis and the measures to combat it adopted in the United States--high interest rates, the artificially high dollar exchange rate and others--coincided in time with cold winds from the United States and interrupted the detente process in Europe.

Instead of performing the role of stabilizer of international relations, trade-economic relations came to be used by the military-industrial complex as an instrument of the cold war. There followed such discriminatory measures as the tightening of control over the exports of many types of products on the pretext of their strategic nature, economic boycotts, blockades, embargoes, unilateral violations of commercial and research contracts and so forth.

In the struggle for world hegemony and the establishment of a Pax Americana the U.S. Administration is attempting at a stroke to achieve two strategic goals--undermine the military and economic potential of the socialist countries and weaken its West European and Japanese competitors. M.S. Gorbachev gave a perfectly definite response on this score: "...The version that the USSR's defense potential is almost entirely based on purchased Western technology and cannot develop without this is the most complete rubbish. The authors of this version are simply forgetting with what kind of country they are dealing..." (1). Echoes of the above version were heard at the Vienna III conference also. A sound approach, however, gained the ascendancy: it should be a question not of the transfer but of the exchange of advanced technology.

The Belgian scholar and religious figure I. Lindemands spoke as follows at the conference in connection with the attempts to undermine the Soviet economy: "The alternative of economic warfare, which is being implemented by way of the growing arms race, is justified by the fact that it will allegedly lead to the collapse of the enemy; but an arms race is extremely dangerous even for the so-called 'stronger economy'."

A change for the better began only after the Madrid meeting of participants in the All-European Conference, which ended in September 1983. The socialist countries made further efforts to strengthen the treaty-legal bases of economic cooperation in Europe. In this period they, in particular, concluded new and extended existing trade agreements. For example, the program of the development and extension of economic, S&T and industrial cooperation between the USSR and Austria was extended until 1995, and a Long-Term Program of the Development of Economic, Commercial and S&T Cooperation Between the USSR and Turkey was signed. Hungary concluded cooperation agreements with Spain and Portugal. Ties were revitalized on a multilateral basis and contacts were resumed between CEMA and the European Community.

Commodity turnover between East and West Europe in the period 1981-1985 grew approximately 25 percent in cost terms, and the increase in the CEMA countries' exports outpaced their imports, what is more--32 and 19 percent respectively. The biggest project in the practice of East-West cooperation was completed--the construction of the 4,500-km Urengoy-West Europe gas pipeline. More than 20 billion cubic meters of gas a year are being supplied by it to West Europe.

The supporters of East-West cooperation believe that a change for the better has finally come about. The Vienna III conference reflected this mood. The final document "New Vistas of East-West Trade and Cooperation" observes: "The conference expressed the profound belief that both East and West would benefit if ways and means are found for the more intensive mutual use of economic, commercial, scientific and technological experience for the solution of common and global problems such as preservation of the environment, development of power engineering and transport, the conquest of space and so forth."

All this requires primarily the surmounting of the imbalance of foreign trade and an improvement in its structure and, consequently, the lifting of trade barriers and restrictions, an expansion of access to business information, at enterprise level included, and the establishment of permanent technology exchange channels. Thus the report of G. Ratti, chairman of Italy's National Foreign Trade Institute, presented to the conference expressed the wish that socialist countries' access to Western technology be balanced by access to the technology of the socialist countries (2).

This approach coincides with the Soviet approach. Addressing participants in the World Economic Forum in Davos (Switzerland) in February 1986, N.I. Ryzhkov, chairman of the USSR Council of Ministers, noted the unacceptability of the term and practice of "technology transfer" taken from the experience of the developing countries. In East-West relations it is necessary to speak of the mutual exchange of new technologies and other high-science products and not their transfer. Differences in the organization of the economy of our countries, N.I. Ryzhkov went on to state, should not be a stumbling block in the use of new forms of economic cooperation. He said that "much will also be done in the sphere of an improvement of foreign trade, an increase in its efficiency and the imparting to it of greater promptitude and maneuverability, and this will undoubtedly be accompanied by the appearance of new forms of mutually profitable cooperation."

While relying mainly on internal resources the CEMA countries intend also to make use of Western credit for realization of their economic projects. Firms of Western countries will be enlisted in participation in enterprise reconstruction and modernization. The question of new forms of economic cooperation is highly pertinent in this connection. The Soviet side "does not preclude the possibility of the establishment of close S&T relations with firms and enterprises of capitalist countries" (3). Simultaneously the economic independence of Soviet associations and enterprises is being broadened, and their direct relations with foreign partners are envisaged.

New and, specialists believe, promising forms of cooperation have appeared in the 1980's in East-West industrial cooperation. Joint-labor relations are

developing not so much quantitatively as qualitatively, on the path of transition to more modern forms of industrial cooperation. One such form is joint enterprise on the territory of both socialist and capitalist states.

The question of new forms of production cooperation, including the highest of them--the creation of joint enterprises--was specially discussed at the Vienna III conference. Various, sometimes directly opposite opinions and evaluations were expressed during the discussion. The final document recommends "the more extensive use of new forms of joint activity, including joint enterprises, which would reflect the interests of both sides."

Business circles of the West are evaluating optimistically the plans for the joint creation and operation of enterprises. Fifty enterprises, in which foreign companies have invested \$50 million, have been set up in Hungary since 1972. A new law was enacted in the country at the start of 1986 affording greater opportunities for joint enterprises. While reserving the commanding heights for the state it offers foreign investors substantial tariff, tax and other benefits (4). Similar laws have been enacted in Bulgaria and Poland. Several joint enterprises have been created in Romania.

Joint projects of Western firms and enterprises of the CEMA countries in the agro-industrial sphere concern animal husbandry, plant growing, the storage, packaging and shipment of products, food industry and so forth. As a rule, they are being implemented for the purpose of modernization of outdated enterprises.

The practice of the granting of licenses with remuneration in the resulting product has been evaluated highly in the CEMA countries. It provides for the incorporation in contracts of articles concerning the constant renewal of licenses, which makes it possible to avoid the purchase of new licenses for the same types of product. This type of contract is employed, for example, by Bulgarian enterprises producing storage-battery trucks, transport equipment and agricultural machinery. The constant renewal of licenses is a major step toward the joint development of products.

Supplying whole plants or production equipment is practiced also, and payment is made, furthermore, in the manufactured product. Certain licenses have come to be paid for and interest on credit that has been obtained has been paid off in the same way in recent years.

Joint research, development and production, after-sales service and specialization agreements could be leading forms of industrial cooperation. They provide for a continuous upgrading of products and production engineering processes, which demands the close cooperation of the engineers and designers of East and West. The joint development of products is employed particularly extensively in machine building. Considerable progress has been made in the development and introduction of flexible machining systems, which make it possible to change a product's design and components without large-scale capital investments. A highly promising sphere of cooperation is opening up here.

The papers presented to the Vienna III conference by Western business circles propose priority spheres for joint developments and specialization agreements--the production of equipment for combating environmental pollution, low-waste and energy-saving technology, nuclear power engineering, technology for agro-industrial complexes and so forth. Many of the proposals concur with the viewpoint of the CEMA countries, others are in need of additional study.

The growth of automation and the extensive use of computer technology are posing the issues of the software for joint projects, cooperation in the compilation of computer programs and the development of electronic circuits. The mutual complementariness of the scientific potentials of Western and Eastern partners would ensure the increased competitiveness of their commodities and an expansion of exports. The joint servicing with Western partners of equipment which has been produced and sold, which has begun in certain CEMA states and which is being extended to third countries also, would contribute to this.

A special place at the conference was occupied by the question of cooperation in the development of power engineering. The exchange of information and technical assistance and the development of common standards of the safe use of nuclear power are urgent. The recent Soviet proposals concerning ways to solve this problem addressed to the IAEA had a positive reception. The conference also discussed all-European transport problems.

Implementation of the new initiatives and specific plans for cooperation and the expansion of East-West trade, the conference observed, will, as before, proceed slowly if it is not possible to solve the problem of financing. The credit and loan terms are frequently the stumbling block for many projects. Yet they perform in trade and industrial cooperation no less a role than the quality of commodities.

Broad vistas are opening up in the sphere of East-West S&T cooperation. It is necessary to improve the reciprocal exchange of S&T information, documents and publications and patents and licenses; to hold exhibitions regularly; and to stimulate scientific meetings and an exchange of scientists and students. An important role would be performed by the organization of cooperation in the sphere of control of commodity quality and standardization. Finally, joint research programs are necessary. The Vienna III conference proposed a number of subjects for joint research in such spheres as climatology and meteorology, health care and environmental protection and automation and robotization. There is now a need here for the creation of international research centers and universities.

The recent Soviet proposals pertaining to the peaceful conquest of space were studied attentively and received high marks. The conference included in its recommendations a proposal for study of the possibility of the establishment of an international space research and technology center.

As rightly pointed out in the paper of Austrian Foreign Minister P. Jankowitsch presented to the conferees, the current international rules of legal regulation of the use of space are "dangerously inadequate". The existing provisions on the control of arms in space, he emphasized, could be

supplemented with a special agreement similar to that which was proposed by the Soviet Union to the UN General Assembly in 1981. Scientifically and technically the world is ready for the conquest of space. The task is to begin its conquest--solely for peaceful purposes, of course. The Soviet Union submitted specific proposals, which were widely supported.

The main problems examined at the Vienna III conference and their discussion testify that certain successes have been scored in East-West cooperation, although much still has to be done for affirmation of the new thinking.

FOOTNOTES

1. KOMMUNIST No 18, 1985, p 17.

2. See G. Ratti, "Industrial Cooperation and Trade Between East and West," Vienna, 16-18 June 1986, p 2.

3. EKONOMICHESKAYA GAZETA No 7, 1986, p 2.

4. J. Fekete, "Financing of East-West Trade and Cooperation, 1986-1990. Paper Presented to Vienna III Conference," Vienna, 1986, p 1.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1986.

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PROSPECTS FOR ISRAELI-EGYPTIAN RELATIONS VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 115-121

[Article by V. Avakov: "Toward a Resumption of the Israeli-Egyptian Dialogue"]

[Text] There has been a change of guard in Israel. In accordance with the arrangement arrived at earlier (1), Shimon Peres, who held the position of head of the government, gave up his premier's chair in October to his first deputy, Yitzhak Shamir, foreign minister. In the new cabinet Peres acquired the position bequeathed by Shamir. The exchange of portfolios was preceded by a long diplomatic marathon by the former prime minister, which included visits to the United States, Canada and France and meetings with Hassan II, King of Morocco, and Egyptian President H. Mubarak. During his visit to New York S. Peres was received at his request at the UN General Assembly 41st Session by USSR Foreign Minister E.A. Shevardnadze.

The contacts with the Arab leaders were made, as the Israeli press observed, within the framework of S. Peres' efforts "to lend impetus to the peace process" in the Near East. The negotiations with Morocco ended, as both sides acknowledged, in failure: they showed that the two sides adhere to opposite positions on questions of a settlement of the Near East conflict. As far as the meeting of the Egyptian and Israeli leaders in Alexandria was concerned, it was described in the joint statement adopted at its conclusion as a "landmark marking the start of a new era in bilateral relations between Egypt and Israel in the aspiration to a just and all-embracing peace in the Near East." However, neither the actual results of the meeting, the general political situation in the area of conflict, the accumulated experience of bilateral Egyptian-Israeli relations nor, finally, both countries' practical steps adopted in the time that has elapsed since Alexandria afford serious grounds for such optimistic assessments.

I

The meetings of Egyptian and Israeli leaders have lost the tinge of sensationalism which characterized them in A. Sadat's time. However, the top-level negotiations in Alexandria were the first since H. Mubarak has been Egypt's leader. Preparation of the conditions wherein they could take place took almost 5 years. The formal obstacle to the Israeli prime minister's visit

was removed literally on the eve of his arrival in Alexandria. On 10 September both governments signed an agreement on the transfer to international arbitration of the disputed border question of Taba--a small resort zone with a total area of 1 square kilometer located on the shore of the Red Sea south of the Israeli city of Eilat. Mubarak's consent to signing it signified simultaneously recognition of the inevitable consequences of this act--the top-level meeting, return of an Egyptian ambassador to Israel and normalization of bilateral relations. The point being that the Egyptian president had made fulfillment of these promises of his dependent on the success of the Taba negotiations.

Tel Aviv had long sought a resumption of dialogue at the highest level, having sufficiently weighty reasons for this. But in connection with the impending government reshuffle the problems assumed a personified nature. It cannot be ruled out that Peres linked--and continues to link--with this meeting far-reaching ambitious plans: restoration, given certain conditions, of the office of premier. But this is in the future, near or distant. In the practical plane the meeting was conceived of primarily as a means of revitalizing the Camp David process or of search for an alternative settlement model corresponding to Israel's interests and designed to "revive" bilateral relations.

The "normalization" of these relations, which was begun by A. Sadat and envisaged by the 1979 peace treaty, began to malfunction following the assassination of the Egyptian president. His fate forced many Arab politicians to think about the "kiss of death" entailed by unscrupulous flirting with Israel, concessions thereto not justified by Egypt's national interests and disregard for the Palestinian problem. After H. Mubarak became president, Cairo's policy in respect of Israel came to be characterized by a demonstrative restraint and greater pragmatism, and the former publicity aspect and the artificially introduced state of excitement and emotion disappeared.

The "normalization" process was virtually frozen, there was a sharp cutback in intergovernmental contacts, and, following Israel's attack on Lebanon, Egypt recalled its ambassador from Tel Aviv. Cultural exchanges, tourism and economic relations did not quicken. Such a development of events was not justifying the hopes of Tel Aviv ruling circles which they had linked with the signing of the peace treaty with Cairo. In this state Egyptian-Israeli relations could hardly represent an attractive example for other Arab countries and prompt them to weigh in earnest and anew all the pluses and minuses of a possible normalization of their own relations with Israel.

This entire foreign policy canvas was superimposed on the intricate domestic policy processes and alignment of forces in Israel itself. Criticizing even the Camp David accords as allegedly "insufficient" for Israel, representatives of the "war camp" had gained, they believed, quite convincing arguments in support of their skeptical forecasts concerning the prospects of the development of Egyptian-Israeli relations. It was from them (and they proved further to the right than Begin himself) that protests were heard as of 1979 in connection with the fact that Israel would allegedly be giving Egypt "too much," not winning any real concessions in return. And although the opponents of a normalization of relations with Cairo are relatively few, they

nonetheless represent a real domestic policy factor which S. Peres had to take into consideration: in the dispute with them he needed more substantial arguments than the "frozen" state of relations with Egypt.

Some people consider it paradoxical that it was the premier of Israel who was on this occasion the initiator of a resumption of the "peace process" with the Arab countries. As the British OBSERVER noted, S. Peres was trying in every possible way to persuade everyone that in his term of office as head of the government he had "successfully led the Israeli people by the path of peace." But it was not only, of course, a question of a possible and perfectly understandable desire to win the reputation of a "peacemaker" in the eyes of the international and local community. Israeli official circles have recently really been attempting to portray themselves in the role of some zealots of a "peaceful settlement" of the Near East conflict and the Palestinian problem. Some people in Tel Aviv evidently believe that the present alignment of forces in the region creates conditions conducive to the imposition on the Arabs of a solution favorable to Israel.

In speaking of the need for a settlement of the long-standing conflict Israeli leaders are by no means contemplating a just solution of the Palestinian issue, without which lasting peace in the region is impossible. Representatives of the ruling circles are speaking from different positions and proposing "peace models" which differ both in form and essence. But in none of their proposals is there consent to the fundamental demand of the Arab countries--recognition of the right of the Palestinian people to the creation of an independent state. Nor was there anything of the kind in Peres' luggage when he made his recent overseas trips. Moreover, prior to his trip to Alexandria he promised members of his cabinet that he would turn down any Egyptian request for recognition of the Palestinians' right to self-determination or some PLO role in the process of a Near East settlement.

Assessing the situation in the region, Israeli leaders proceed from the absence of unity and the disconnection of the Arab countries. Hard times are being experienced by the Palestinian resistance movement; restoring unity in the PLO has not been possible. The fratricidal, senseless Iran-Iraq war continues. It was in the context of such a complex political situation that hopes arose in part of Israel's ruling circles of the possibility of achieving a pseudo-settlement of the Near East conflict, and eyes were turned once again to Cairo. Under such conditions, Israeli leaders believe, there is increased Egyptian immunity to the Arab countries' possible negative reaction. Rebuilding of the political bridge between the two states was designed to slow Egypt's "return" to the "Arab family".

It was this circumstance which for a long time performed a restraining role in the shaping of Cairo's foreign policy course in the post-Sadat period. According to LE MONDE, H. Mubarak had never in principle renounced the possibility of a top-level meeting with Israeli leaders, but, "to judge by everything, wished to postpone it until the cows came home." It would have been easiest explaining the Egyptian leader's consent to meet with Peres as payment for the Taba agreement. However, it would seem that the motives which prompted Mubarak to enter into negotiations with the Israeli premier lie in a different plane. The president's decision was to a certain extent a reaction

to the state of the domestic political and economic situation both in Egypt itself and as a result of outside pressure, that is, the effect of a number of foreign policy factors.

Egypt is experiencing perhaps the most severe economic difficulties for many years. Despite the substantial financial assistance from the United States over the past 10 years, its economy is on the verge of bankruptcy. It has been struck a strong blow by the fall in the oil price. The crisis brought about by this circumstance and also the reduction in monetary receipts from Egyptian citizens working in the Persian Gulf countries has cost Cairo more than \$2.5 billion. There has been a decline in revenue from the tolls for the passage of oil tankers through the Suez Canal. There has been a 50-percent reduction in proceeds from foreign tourism. All these losses exceed--considerably, what is more--the sum total of American aid granted this year. They have led to a sharp increase in the balance of payments deficit.

To cover the latter Cairo asked the United States to increase the ready cash which is to be made available as "civilian assistance" from \$110 to \$500 million. A request for a lowering of the interest rate on payment of the foreign debt, which amounts to \$4.6 billion, served the same end. Altogether Egypt's foreign debt, according to some estimates, is in excess of \$35 billion. Cairo also asked Washington to influence the IMF in order that the latter might ease the terms of the granting of a \$1 billion loan.

In the situation Washington essentially resorted to arm-twisting tactics. First through Vice President G. Bush, who visited Egypt in the summer of 1986, and then R. Murphy, assistant secretary of state for Middle East and South Asian Affairs, the Egyptian president was informed that a condition of American assistance to surmount the financial difficulties was an end to the Taba dispute and a "revitalization" of relations with Israel. Murphy, in particular, told Mubarak plainly that were the United States to get the impression that Cairo was backing off from its relations with Israel, it would be difficult for him to expect congressional approval for the granting of financial assistance. The Egyptian Government was faced with the need to choose between a "revolt of the hungry" and increased opposition on the part of the forces in the country and the Arab world as a whole which are opposed to contacts with Israel. "The Egyptian-Israeli summit," the newspaper SUEDEDEUTSCHE ZEITUNG observed in this connection, "was most likely held because H. Mubarak's fears in the face of pan-Arab hostility yielded to the fear of losing the support of the American public. H. Mubarak intends going to Washington primarily to collect money for the crisis-ridden Egyptian economy. And inasmuch as Washington had put considerable diplomatic pressure on Egypt for the purpose of realizing the idea of a summit, H. Mubarak's consent to a meeting with S. Peres was essentially a 'gesture in accordance with the demand of the moment'."

The timing of the Alexandria meeting was largely brought about by Peres' impending departure from the office of prime minister. This circumstance dominated the Israeli side to the greater extent, but was of considerable significance for Cairo also. Despite the entire weight of the burden of the political and financial pressure which was pushing Egypt into the meeting, until the last moment its leaders were hesitating. Egypt had in recent years

managed to direct its relations with certain Arab countries into a channel of normalization. It had established close relations with Jordan and was strengthening ties to Iraq, and contacts were being established with a number of Persian Gulf countries.

One circumstance afforded the Egyptian leader reason to suppose that the Arab world's reaction would not necessarily be uniformly negative or, at least, such as had accompanied Sadat's contacts with Israel. The meeting in Ifrane between King Hassan II and S. Peres had shown that the psychological atmosphere in the Near East was evolving constantly. Quite recently even the idea of contacts with Israeli representatives instantly caused a "rejection response" and was identified in the political plane with treachery. The Morocco meeting, however, although giving rise to a negative evaluation on the part of a number of countries, particularly Syria, Libya, Algeria, the PDRY and certain others, did not, apart from propaganda attacks against the king, entail in practice any specific actions. The reaction of the majority of Arab states was generally restrained. It was indicative that at the session of the Arab League Council incorporating 21 states held at the end of September Syria and Libya were unable to win the inclusion in the final communique of a protest in connection with Hassan's meeting with Peres.

II

To judge by everything, Washington was pulling all the levers to speed up the preparation of the Egyptian-Israeli meeting. At the same time, however, the R. Reagan administration did not accommodate Israel's request that Secretary of State G. Shultz be sent to participate therein. Washington thereby made it understood that it would prefer at present to remain on the sidelines.

It should be noted that in R. Reagan's term in office the United States' attitude toward the problem of a settlement of the Near East conflict has changed repeatedly. Immediately following their occupancy of the White House the Republicans released in the form of a trial balloon the idea of "strategic consensus," the purpose of which was to unite on Israel, Egypt and a number of conservative Persian Gulf states on an anti-Soviet basis. However, the Arab countries rejected this idea at that time inasmuch as they saw as the main threat to stability in the region not the mythical "Soviet military threat," reiterated over and over by Washington, but the lack of settlement of the Palestinian problem and Israel's expansionist policy. With regard for these circumstances Washington consented to a shift of emphasis: whereas earlier participation in the process of a peace settlement had not been considered a priority area, under the conditions of the interest in such a process demonstrated by the Arab countries the White House deemed it necessary to declare formally its "attachment to the search for peace" in the region, to the Camp David accords included, which, incidentally, the Republicans had sharply criticized in the course of the election campaign.

The development of events in the Near East entailed a further increase in the United States' interference in the Arab peoples' internal affairs. It reached the point of Washington acting the part of belligerent in Lebanon for the first time. Meanwhile the anti-American mood, which had sunk deep roots in the region, continued to grow. Endeavoring to counteract this, the United States

hastened to issue a "peace call". In September 1982 Washington issued the so-called Reagan Plan. Denying the Palestinians political self-determination, the United States offered them instead administrative autonomy within the framework of Israeli-Jordanian relations without any participation of the PLO, which both the United States and Israel stubbornly refuse to recognize. The American plan was not supported by the Arab countries. Nor did it arouse enthusiasm in Israel. The explosion of "peace-making activity" was short-lived. And now once again, 4 years on, Washington has suddenly begun to display signs of an interest in a "peaceful settlement" of the Arab-Israeli conflict.

Vice President G. Bush was dispatched to the Near East in the summer of 1986. A principal purpose of his trip was to push Jordan's King Hussein into negotiations with Israel on behalf of his country and simultaneously on behalf of the Palestinians. Bush's mission ended in failure. "I cannot say," he declared at the conclusion of it, "that we have strengthened the peace process." Assistant Secretary of State R. Murphy, who went to the Near East in the wake of Bush, began to practice "shuttle diplomacy" here, running between Cairo, Jerusalem and Amman. His mission included enlistment of King Hussein in the meeting of the leaders of Egypt and Israel, which had only just been outlined, and persuading all three countries to draw up a draft "peace declaration". Murphy succeeded in preparing the ground for the Israeli-Egyptian summit, but was unable to win the support of the Jordanian leader.

Washington's long-term interests in the region incorporating military-strategic, geopolitical, economic (including oil) and other aspects preserve in full for the country's ruling circles their permanent significance. There is no diminution in the role of the Zionist lobby and the oil monopolies influencing the United States' Near East policy. But now, when new contours of the oil problem are beginning to be displayed, the fact of the dependence of the economy of Western countries, American included, on Near East oil is having to be evaluated anew.

The fall in the price of oil has brought about euphoria in a number of American economists, investors and auto industrialists. Far from everyone shares their optimism, it is true. Justified fears that the country could once again find itself dangerously dependent on oil supplies are being expressed. Its consumption has risen sharply in the United States. Some people are taking comfort in the fact that, first, the United States has reduced its dependence on imports to less than 30 percent (compared with the maximum of 46 percent in 1977), second, has shifted the sources of the bulk of its imports to countries of the Western hemisphere. The United States is currently importing from Arab countries 85 percent less oil than 10 years ago. Nonetheless, many specialists are warning that, given a continuation of the present trends in the country, a combination of a cutback in the production of oil and its increased consumption could, they estimate, double the United States' dependence on imports by 1990.

Such forecasts have forced the American leadership to ponder once again the effect of the "oil weapon," which has already been employed by the Arab countries. Given the present disconnection of the latter, the possibility that

the West's dependence on their oil will be used to put pressure on the United States, West Europe or Japan is unlikely. But it cannot be completely ruled out.

The lack of settlement of the Near East conflict and the United States' resistance to a solution of the Palestinian problem are stimulating centripetal forces in the Arab world. Washington understands this and would like to reduce to a minimum the effect of this factor. Whence the United States' present diplomatic maneuvers in the Near East field of activity.

III

The reaction to the results of the meeting of the Israeli premier and the Egyptian president was far from uniform. Sharp criticism was heard from Syria and Libya and in the press of Lebanon, the PDRY and Algeria and the opposition press of Egypt itself. There were guarded commentaries also, but a practically complete absence of approbatory comment. High evaluations were heard from Washington, on the other hand. "We note with satisfaction," the State Department spokesman said in a statement, "that the communique issued at the end of the meeting speaks of a new era in relations between the two countries.... We welcome their (the two countries' leaders'--V.A.) promise to continue to work jointly in the search for an all-embracing solution, including all aspects of the Palestinian question. We also promise to cooperate with the interested parties, including, of course, Jordan, for the purpose of achieving just and lasting peace." But the Western press also contained quite skeptical evaluations of the results achieved at the Alexandria meeting. "Only the most desperate optimist," the British FINANCIAL TIMES wrote, "could decide that the foundation was laid at the meeting for a revitalization of the process of a peace settlement in the Near East."

The joint communique said that the leaders of the two countries declare 1987 "a year of peaceful diplomatic efforts in the Near East for the purpose of a solution of all regional problems, the Palestinian problem included." The participants in the negotiations proclaimed as their ultimate goal "the establishment of a just, lasting and all-embracing peace." In addition to the joint statement, which at the end of the negotiations was read out by Egyptian Foreign Minister Esmat Abdel Meguid, journalists were addressed by President Mubarak, who reported that the parties had reached agreement on an international peace conference and the formation of a preparatory commission therefor.

From the viewpoint of an evaluation of the actual place of the Alexandria meeting in the current Near East situation fundamental significance was attached to the answer which its participants had to provide to the question: were they ready really to move in the direction of a settlement of the Arab-Israeli conflict and a solution of the Palestinian problem on a just basis, without which there will be no peace in the region.

As is known, in the past the Soviet Union proposed an international conference under the aegis of the United Nations with the participation of the permanent members of the Security Council and all interested parties in the region, including, of course, the PLO. This idea was greeted with approval by the PLO

and the Arab states and supported by many nonaligned countries and in West Europe also. On the question of the need therefor there had never previously been a position as close to agreement. But Israel and the United States adopted a negative position.

The inclusion in the wording of the joint Israeli-Egyptian communique of the proposition concerning consent to an international conference also, possibly, reflects a certain shift in the position of Israel's ruling circles. However, it is a question, to judge by everything, merely of a tactical move which does not alter its essence on the main question--Palestinian. Israel, in the person of former prime minister recognized the idea of such a conference, although denies the PLO the right to participate in it, as before (while the new one--Y. Shamir--thereupon categorically opposed an international conference). In this respect the Alexandria meeting changed essentially nothing. The final communique does not even contain a mention of the problem of the Palestinian people's self-determination. "We differ in our opinions on the method of solution of the Palestinian problem," Mubarak declared. But the differences, it transpired, are fundamental.

It is significant that the sides virtually stated their right to determine the composition of the participants in the international conference. The reservations with which Israel accompanied its consent to a conference showed that it would like in advance to reserve the right of veto on this question. Possibly the Egyptian side had some illusions concerning the possibility of Tel Aviv revising its position in respect of the PLO. On the first day of the negotiations Mubarak, in particular, declared that Israel would consent to a dialogue with the PLO within the framework of a Jordanian-Palestinian agreement. However, this assertion was immediately repudiated. The key to the conference, S. Peres explained, is "the formation of a joint Jordanian-Palestinian delegation," but without, of course, legitimate and empowered representatives of the PLO.

That the convening of an international conference is being conceived of by Israel's ruling circles as a kind of "umbrella" for separate negotiations and a search for a pseudo-settlement is attested by their attitude toward the participation therein of the Soviet Union. Although such is recognized as possible, it is made conditional upon the USSR's consent to a resumption of diplomatic relations with Israel.

Peres' visit to the United States immediately following the Alexandria meeting revealed not only the similarity of the positions of Washington and Tel Aviv in respect of the prospects of a settlement of the Near East conflict. In the course of the visit to the United States he tried in every way possible to play down the significance of his support for the idea of an international conference on the Near East. "We support direct negotiations on a bilateral basis between the parties concerned," he declared. "International support could ensure for these parties a favorable opportunity for the start of negotiations, but the negotiations must be conducted between the parties concerned." If such a statement was in any way surprising, it was only in the speed with which there had been a change of emphasis in his position since Alexandria. Thus were the "i's" dotted.

Washington's cool response to the "peace-making" of Egypt and Israel obviously could not have failed to have given rise to disappointment in Cairo. This is all the more so in that the White House even after the Alexandria meeting has been displaying no haste in rendering Egypt assistance in surmounting its economic difficulties. In addition, the United States proposed the postponement until 1987 of President Mubarak's visit to Washington scheduled for the end of September. When presenting his credentials, F. Wisner, the new American ambassador to Egypt, handed H. Mubarak a message from R. Reagan which contained a demand that he postpone his visit until Egypt, Israel and the United States had formulated a common viewpoint concerning an international conference on the Near East.

And a recent circumstance. S. Peres has handed over the prime minister's portfolio to Y. Shamir, who from the very outset has been opposed to the very idea of an international conference. They have differences in other spheres also: on the Palestinian problem and questions of the occupied territories and the Israeli settlements.

At the same time, however, the coalition partners are bound by the compromise government program. "I cannot change policy without the consent of all members of the government. In the event of differences in views arising, compromise has to be sought. If it is not found, new elections will have to be held," Y. Shamir declared. Considering the public mood (polls conducted in September showed that the Labor Party's popularity had increased), the former prime minister could be tempted to regain his lost position by way of new elections.

However, the "rules of the political game" demand the fulfillment of a minimum of two conditions: waiting for a certain length of time and convincing arguments for breaking up the coalition. As one Western correspondent aptly observed: "if the Israeli Labor Party or the Likud bloc wish to destroy the government, they will need to have substantial reasons for this, otherwise the public could punish them sternly in the constituencies." Time will reveal Peres' intentions, but even now it may be assumed that if he is nurturing plans for a return to the position of premier, his trip to Alexandria occupied a place of considerable importance therein. Involvement in the peace process, in accordance with the logic of such a game, could play the part of a serious argument in the dispute with Shamir.

The meeting in Alexandria did not bring peace in the Near East closer by one iota. Israel and Egypt held to their former positions. And the solemn statements concerning attachment to the peace process were devalued by the absence of any real constructive steps. The return of the Egyptian ambassador was more a symbolic act, which will hardly accelerate even the "normalization" of bilateral relations. The political maneuvering of this Israeli political leader or the other is possibly capable of performing a useful service in the power struggle. But making the fate of the peace process a hostage of their political ambitions is a disastrous policy, whose consequences will make even more difficult progress toward peace in the Near East.

FOOTNOTE

1. At the recent Knesset elections on 23 July 1984 neither of the two main political blocs--neither the Maarakh, which includes the Labor Party headed by S. Peres, nor the Likud headed by Y. Shamir--succeeded in obtaining the necessary number of mandates for the formation of a government by themselves or in alliance with the small parties. As a result a compromise was worked out in accordance with which for 25 months or half the term of the authority of the Knesset the government would be headed by the leader of one party, and the next 25 months, by the leader of the other.

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ECONOMIC IMPORTANCE OF BIOTECHNOLOGY HIGHLIGHTED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12,
Dec 86 pp 124-127

[Article by O. Kudinova: "Biotechnology Today and Tomorrow"; first paragraph is source introduction]

[Text] Many of our readers are interested in the prospects for the development of biotechnology and ask for clarification of the content of this term.

What Is Biotechnology?

The "biotechnology" concept encompasses a set of production processes based on the use of specific catalysts, so-called enzymes (ferments)--protein microorganisms and biological systems (protoplasts and animal and plant tissue cultures). As distinct from traditional fermentation processes based on the use of natural ferments, biotechnology uses microorganisms with preprogrammed properties created by genetic engineering methods.

The advantages of biotechnology determining its promise are the use of biologically renewable raw material and raw material with a low content of useful elements, the low energy consumption of biotechnological processes and the possibility of the creation of waste-free works. Thus biotechnology could contribute to the comprehensive solution of raw material, energy and ecological problems and an appreciable reduction in the resource consumption of production. Furthermore, relying on the fundamental sciences (biochemistry, biophysics, genetics, microbiology and immunology), biotechnology serves as an instrument of the practical embodiment of their results and in the very near future even, it is assumed, could ensure significant progress in the treatment and prevention of serious hereditary illness.

Foreign specialists are comparing the significance of biotechnology with electronics, and the current level of its development with that of electronics of the start of the 1950's and consider it, together with computers and robotics, development of ocean resources and information science a principal direction of the development of the industrial technology of the next generation.

The purpose of the proffered survey is to acquaint the readers with the most important directions of the development of biotechnology in industry⁽¹⁾ and the practice of its application in the capitalist and certain developing countries and make a definite assessment of the results which have been achieved. A quantitative analysis of the development of biotechnology is complicated by the absence of systematic statistical data.

Possibilities and Prospects of Biotechnology

The range of application of biotechnology is practically unlimited. In extractive industry, the recovery of metals from ores and sea concretions, in manufacturing industry, food, pharmaceutical and chemical industry, in power engineering, production of energy carriers, in agriculture, fundamentally new methods of increasing the yield of cereals and the creation of seeds with new genetic properties, in public utilities, the purification and treatment of water and the decomposition and utilization of industrial and domestic waste. Some 219 biotechnology firms were functioning in the United States in 1983, of which 135 were in the production of pharmaceutical preparations; 17, amino acids, ferments, vitamins and food additives; and 13, chemical products. Some 24 companies were involved in the production of feed for farm animals, 20 in the cultivation of new agricultural plants and bacterial preparations for combating diseases thereof, 7 in problems of environmental protection and 3 in the use of biotechnology in electronics.⁽²⁾

In the developed capitalist countries sales of products manufactured by biotechnology methods amounted to only \$42 million in 1983.⁽³⁾ Foreign specialists' forecasts concerning the dynamics of biotechnology production are very contradictory. According to estimates made at the start of the 1980's, the value of the biotechnology product will have risen to \$65 billion by the year 2000, but according to later estimates, will be somewhat in excess of \$30 billion. It is most likely here that five main groups of commodities will account for the bulk thereof--almost 90 percent: energy carriers (ethanol, methanol, methane) 25 percent; foodstuffs (syrups with a high fructose content, proteins) 20 percent; chemical organic and inorganic compounds 16 percent; pharmaceutical preparations (antibiotics, hormones, virus antigens, vitamins) 14 percent; and agricultural preparations (feed additives, plant growth stimulants) 13 percent.

The first biotechnology processes were assimilated in the production of pharmaceutical preparations. Extracts of animal tissue and natural microorganisms, the cultivation of which is a long and costly process frequently holding back the development and assimilation of new medicines, serve as the traditional sources of hormones, vaccines, antibiotics and viruses. Genetic engineering methods make it possible not only to lower the costs of the production of many drugs and accelerate it but also to create new-generation preparations with a direct impact on man's immune system. Tests of the first vaccine against leprosy, from which currently approximately 11 million persons suffer, are being conducted. The first immunotropic biotechnology agents, which will be applied in medical practice, will evidently be insulin, a human growth hormone regulating the development of bone and muscle tissue and interferons--effective means of treating herpes infections, hepatitis, rabies and certain forms of cancer. At the initial stages of introduction even the high cost of the new

medicines is not an inhibitor of demand thanks to the unique nature and magnitude of therapeutic effect. But as the methods of obtaining them are perfected, a considerable lowering of the cost of production and prices is anticipated. For example, a reduction in the price of a daily dose of interferon per patient from \$150 to \$1 is anticipated.

The limited nature of the reserves and growth of the costs of the recovery of mineral energy resources have set science and technology the task of the development of fundamentally new methods of energy transformation, specifically, per the outline: solar energy--biomass--gaseous and liquid fuel. All organic domestic, industrial and agricultural waste may serve as source of biomass, and its potential as an energy resource is very significant. For example, in Great Britain the fermentative treatment merely of agricultural waste can provide 12.2 million tons of standard fuel, which corresponds to approximately 4 percent of primary fuel consumption in the country.(4) In the FRG it is contemplated by the end of the 1980's to provide for more than 20 percent of food industry's energy consumption thanks to methane-containing biogas obtained by way of the biological treatment of this sector's organic waste, which will permit a saving of 5 million tons of standard fuel or 3.5 million tons of oil a year.

Use of biomass in the production of so-called alcohol: ethanol, methanol, isopropanol and ethylene glycol is considered economically the most promising. The American Gulf Oil Chemicals has developed a process of obtaining ethanol by way of the biotechnological processing of cellulose-containing waste. The production costs of the ethanol obtained by way of fermentation (with regard for profit from the sale of the byproduct--livestock feed) are 11 percent lower than given traditional technology.

A principal sphere of the application of biotechnological alcohol is as an addition to automotive fuel (gasoline). The need of the developed capitalist and developing countries for methanol and ethanol for this purpose in the period 1983-1995 will grow almost sixfold and amount to more than 40 billion liters a year. In some cases, given particularly favorable conditions, it could be a question of the conversion of transport to alcohol fuel. Thus in Brazil, where the resources of sugar cane and cassava are comparatively great, the production of alcohol from biomass in 1980-1982 even constituted 1 billion liters a year, and the country's government has proposed a program for the substitution by 1990 for all imported oil of ethanol.(5) In the estimation of foreign specialists, the production of fuel alcohol by the biotechnological method in the developed capitalist countries will have risen to 5 percent of its total output by the end of the century.(6)

The limited nature of the reserves and the increased costs of the mining of high-grade mineral raw material resources--oil, gas, coal, metal ores--has required involvement in the production cycle of low-grade raw material and also the fuller extraction of valuable components from industrial waste. The efficient accomplishment of this task is connected with the development of geobiotechnology. In oil production methods of the increased output of oil with the aid of microbe action are being developed. Increasingly extensive use is being made currently of the bacterial-chemical leaching of metals in mining industry. In the United States approximately 200,000 tons of copper a year or

12 percent of the production thereof in the 1980's are obtained with the help of biotechnology.(7) The quantity of recovered gold is increasing with the use of biotechnology methods by a factor of 1.5, and of silver, by a factor of 2.3 compared with the traditional method, and, what is more, the arsenic ingredients are processed into harmless byproducts. In addition, the recovery of precious metals--gold and silver--from pyritic and arseno-pyritic ores is becoming economically expedient.

An acute present-day problem whose solution is also connected with the development of biotechnology, is elimination of the protein shortage. A significant proportion of the world's population is experiencing a shortage of a most important component of man's diet--animal protein. The development of animal husbandry essential for the solution of this problem is being held back by the insufficient production of feed protein. The striking speed of the growth of microorganisms has made it possible to create such a sector of industry as the production of fodder and food protein. In terms of the protein content bioprotein is superior to fish meal, thanks to which it competes with it successfully, despite the higher price. Five percent of the feed protein in the capitalist and developing countries is currently produced with the aid of the microbiological processing of oil fractions.(8) Microorganisms permitting the processing of vegetable or microbiological substrata have already been created at the present time.

It is expected that biotechnology will impart new impetus to the development of chemical industry and bring about in the coming decade even an appreciable reduction in the resource consumption of production and the appearance of new products, like petrochemistry in the 1940's initiated a new stage in the sector's development. Research is being conducted into the use of biocatalysis in the main most resource-consuming chemical processes: such as oxidation, reduction, hydrolysis, isomerization and condensation. In addition to the considerable reduction in energy consumption there is also a reduction in the capital-intensiveness of the works based on these processes since the now independent stages of the production process (accumulation, separation, and the purification of the target products) will proceed in the chambers of a single reactor. In Japan's chemical industry it is planned by the mid-1990's even transferring part of the said processes to biocatalysis. Capital-intensiveness (in respect of the active part of fixed capital) in the sector as a whole, Japanese specialists estimate, will decline by one-fifth here, and specific electric power consumer consumption, twofold. Beyond the year 2000 the country plans virtually the complete transfer of basic organic synthesis to biotechnological processes.(9)

In the developed capitalist countries as a whole sales of biochemical products, excluding medicines, will by the year 2000, it is estimated, have amounted to \$6 billion compared with \$2 million in 1983.(10).

The development and assimilation of biotechnology methods of production are regarded as a strategic direction of S&T progress and are an important sphere of international competition. In terms of fundamental scientific process stock and level of expenditure on biotechnology R&D (\$1 billion in 1983) U.S. private companies are in the lead. Government financing of fundamental research in this

subject area in the United States amounted to \$511 million in 1983, far fewer resources being allocated for applied work--\$6 million.(11) The results of R&D are being realized commercially given the extensive participation of so-called risk (venture) capital and small private firms providing for the selection of innovations with considerable commercial prospects. The amount of the average annual risk capital investments in biotechnology increased from \$60 million in the period 1975-1980 to \$133 million in 1980-1983, and it now accounts for roughly 10 percent of the annual sum total of such capital investments in the country. Of the 219 functioning biotechnology enterprises, 185 pertain to the venture category.(12)

American experts are expressing fears that the United States will have been overtaken by Japan by the end of the 1980's in this area of S&T progress. Patenting activity testifies that they are warranted: of the 2,400 patents registered from 1977 through 1981 in the biotechnology sphere, 60 percent belonged to Japan, 10 percent to the United States and from 2 to 4 percent to the FRG, Great Britain and France.(13) In 1981 Japan embarked on the implementation of a 10-year program of the development of the principles of the industrial technology of the next generation. It incorporates 12 topics, 6 of which concern new materials (particularly pure ceramics, highly functional polymers and composition materials based on carbon fiber); 3, semiconductor technology; and 3, biotechnology. For work pertaining to the "biotechnology" section the government is allocating \$125 million or approximately 25 percent of the sum total it has allocated for implementation of the program. In France the 1984-1988 five-year plan distinguishes biotechnology among the five key sectors of industry. In accordance with the program of government assistance for research and entrepreneurial activity in the biotechnology sphere \$41 million is being allocated annually in Great Britain.(14)

The industrial application of biotechnology is a complex and lengthy process requiring big resources. It is necessary to tackle a set of technical tasks, the main ones of which are the creation of continuous bioreactors and the cultivation of new microorganisms with high selectivity of action. Special and inherent only in biotechnology is the problem of asepsis (protection of specific catalysts and living microorganisms against alien microflora inasmuch as impurities lead not only to the reduced efficiency of the process but a sharp change in the properties and quality of the products obtained. The second--external--is protection of the environment against the penetration of biologically active substances capable of causing unpredictable consequences. In addition to the technical problems a number of economic and social problems arise also: reorganization of the material base of production, a change in traditional production relations, primarily between the suppliers of the raw material and the producers of the products, the exercise of strict toxicological supervision and gaining the trust of the broad consumer.

Very serious ethical problems also are connected with the development of biotechnology in the capitalist world, after all, the results of this development could, as is frequently the case in science, be used to the detriment of man also, specifically, they could become an instrument of military policy. Treatment of severe illnesses and the "designing" of bacteria damaging man's nervous system; an increase in the yield of cereals and the productiveness of animal

husbandry and the destruction of harvests and forest tracts and contamination of a potential enemy's water basins--such as the range of contradictory possibilities born of the expansion of biotechnology research.

FOOTNOTES

1. For questions of the use of biotechnology and genetic engineering in agriculture see, for example, "The S&T Revolution and Structural Changes in the Economy of Capitalist Countries," Moscow, 1985, pp 187-210.
2. CHEMICAL ECONOMY AND ENGINEERING REVIEW Nos 1-2, 1985, p 27.
3. EUROPEAN CHEMICAL NEWS. SPECIALITY CHEMICALS SUPPLEMENT, May 1985, p 16.
4. A. Bull, G. Holt, M. Lilly, "Biotechnology. International Trends and Perspectives," Paris, 1982, p 41.
5. "Current Progress of Biotechnology and the Sphere of its Application," UN Economic Commission for Europe, SC-TECH/R. 116, 28 July 1982, p 13.
6. EUROPEAN CHEMICAL NEWS No 1023, 1982, p 18.
7. WIRTSCHAFTSWOCHE No 21, 1984, p 86.
8. Ibid., p 90.
9. CHEMICAL ECONOMY AND ENGINEERING REVIEW Nos 1-2, 1985, pp 27, 29.
10. EUROPEAN CHEMICAL NEWS. SPECIALITY CHEMICAL SUPPLEMENT, May 1985, p 18.
11. CHEMICAL WEEK, 1 February 1984, pp 21-22
12. CHEMICAL ECONOMY AND ENGINEERING REVIEW Nos 1-2, 1985, p 27.
13. A. Bull, G. Holt, M. Lilly, Op. cit., p 23.
14. "Current Progress of Biotechnology...", pp 6, 7.

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BLOC SCHOLARLY CONFERENCE ON JAPANESE ECONOMY, FOREIGN POLICY

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 128-134

[T. Anikina report: "Conference of Socialist Countries' Japan Scholars"]

[Text] The first international conference of socialist countries' Japan scholars has been held in Moscow. Representatives of research and practical organizations and higher educational institutions of the Soviet Union, Bulgaria, Hungary, the GDR, Mongolia, Poland and Czechoslovakia participated.

Plenary sessions were held and five panels: economy, history and politics, culture, sociology and ideology, literary criticism and linguistics operated within the conference framework.

During the study of domestic economic problems particular attention was paid to the influence of S&T progress on the development of the Japanese economy. I.I. Kovalenko (CPSU Central Committee) observed that characteristic features of Japanese imperialism are economic expansion and an endeavor to capture the lead in the "new industrial revolution," which is developing currently in three main directions: the science- and technology-consuming sectors of industry are growing rapidly; the role of the services sphere is increasing; a policy of an expansion of domestic R&D has been adopted.

However, the country's comparatively rapid economic and S&T development by no means signifies that it represents an example of some conflict-free capitalism of the Japanese model ensuring "general prosperity". The contradiction between the gigantically grown productive forces and the private-ownership nature of social relations, which is being manifested in overproduction, increased unemployment and the entire panoply of social problems, is intensifying under the influence and against the background of the S&T revolution. The crisis of political institutions and the spiritual sphere is growing. Interimperialist contradictions, to which Japan's foreign economic strategy is contributing to a considerable extent, have become unprecedentedly serious.

The current stage of S&T progress, A.I. Kravtsevich (Oriental Studies Institute) believes, represents not revolutionary transformations in science and technology but merely the practical realization of discoveries made earlier. It is proceeding against the background of a transition from a

predominantly extensive to a predominantly intensive type of economic development. The basis of the intensive model is the accelerated growth of electronics, biotechnology and production of new materials. The impact of the S&T revolution is manifested in a structural rebuilding of the economy and the rapid development of the science-intensive sectors, software creation, services and information. The dynamism of the Japanese economy is being maintained currently by a narrower range of new sectors than in the high growth rate period. The reduction therein is connected with this. There has been a smoothing out of the cycle and a stimulation of investment activity under the influence of S&T progress. The latter is influencing appreciably the course of S&T progress inasmuch as the capital investments are oriented toward the assimilation of fundamentally new equipment and technology, investments in the nonmaterial sphere are growing and so forth. The process of monopolization is strengthening and at the same time competition is increasing at the current stage of S&T progress. The social consequences are great also: from increased unemployment to a change in many parameters characterizing the structure of employment.

In turn, the paper of V.K. Zaytsev (IMEMO) emphasized that the center of gravity of R&D has now shifted to how to improve product specifications, create more accomplished production technology and lower costs. A most important task of Japan's scientific policy is transition from the "following the leader" group to leader. Numerous national programs oriented toward the development not only of the applied but also (to a growing extent) fundamental sciences and unique developments are subordinated to this purpose. What we are seeing is the country's orientation toward development into a strong technology power.

In the opinion of Yu.D. Denisov (Ministry of Foreign Trade Business Conditions Research Institute) this is attested by such an important factor as the structure and dynamics of expenditure on R&D. In 1984-1985 the amount thereof constituted in Japan 35 percent of the U.S. level, and this gap is manifesting a steady narrowing trend. The approximation to the American level in terms of spending on R&D per capita is pronounced, and in terms of the numbers of research personnel Japan has already caught up with its trans-Pacific competitor. The number of invention applications also is higher in Japan, and only 25 percent of them are realized in the country, what is more, the remainder being patented abroad. This is fundamentally changing the idea of Japan as a country predominantly importing scientific knowhow. In terms of such an indicator as ratio of payments for imported licenses to the sum total of domestic expenditure on R&D, Japan is close to the level of the West European states.

I.P. Lebedeva (Oriental Studies Institute) dwelt on the role of venture business. It has been developed in Japan in the last 3-4 years as a form of the entrepreneurial activity of small firms in the new, primarily technically advanced spheres. Venture firms are distinguished by a significant proportion of spending on R&D, a high profit norm and dynamic sales growth. Such a firm passes through four stages in its development: development of the scientific idea, its application, organization of production and its stable growth. And, furthermore, whereas at the initial stage self-financing predominates, subsequently the resources of large companies and state organizations for

assisting venture business are attracted. There is growing interest therein on the part of Japanese banks. Despite the rapid growth, the number of venture firms in Japan still lags considerably behind the U.S. level.

S.B. Markaryan (Oriental Studies Institute) examined the problem of the impact of S&T progress on Japanese agriculture. The need for its modernization has been brought about by a whole number of general economic and specific agricultural problems: the lagging of the sector behind manufacturing industry in terms of labor productivity, the low development rate, the high level of production costs and the country's inadequate self-sufficiency in agricultural products. The solution of these problems and, consequently, the very process of modernization have proceeded along the path of the extensive application of the achievements of S&T progress in agricultural production. The development of biotechnology is currently and will remain in the immediate future an important factor of its increased efficiency and the growth of the competitiveness of Japanese products.

The second area of the analysis of the Japanese economy is problems of its efficiency. We see in the example of this country, the paper of Ya.A. Pevzner (IMEMO) observed, that under the conditions of a market economy, state regulation is not only of a multipurpose but also, in a number of cases, varidirectional nature. The impact of the Japanese state on the correlation of monopoly and competition, employment, the dynamics of social production and individual parts thereof and the distribution of newly created value among different strata of the population testifies to this.

Soviet scholars on Japan have distinguished four main components or blocks of state-monopoly regulation: state ownership, the state's redistribution of the national income, regulation of the credit sphere and direct administrative regulation. The close interaction of these components was earlier realized merely under special circumstances (wars, economic crises), given the increased regulatory role of the state. Then the regulatory role attenuated, and the interaction weakened. From this viewpoint state-monopoly regulation now remains more or less stable and does not undergo qualitative changes, and even the implementation of administrative-financial reform is not permitting a "descent" in this sphere to the level which existed in Japan between the two wars, which is confirmed by an analysis of the state of affairs in the different blocks of state-monopoly regulation. The bourgeois state does not intend releasing from its control a number of key sectors and enterprises in the sphere of credit and the transport-communications and social infrastructure. The partial or complete privatization of some state-owned enterprises has been caused by the need to increase their profitability.

Statistical indicators of Japan's economic growth testify that it is slowing down and becoming increasingly capital-intensive and investments are not accelerating an increase in labor productivity and not securing the rise in the population's living standard as was achieved in the years of high economic growth rates, Ye.L. Leontyeva (IMEMO) emphasized in her paper. Nonetheless, there is constant talk about the acceleration of technical progress in Japan and its leadership in the use of new technology. Realization of the achievements of S&T progress has undoubtedly been connected with the structural reorganization of the country's economy. The driving forces of the

reorganization were the exhaustion of the potential for extensive growth and the deterioration in pricing conditions of supply and marketing in the material- and energy-consuming sectors. A sharp "polarization" of sectoral groups in terms of growth rate has been observed. The structural parameters of capital investments are changing.

The current stage of economic development is also characterized by a narrow set of new technologies and the small-series nature and rapid replacement of manufactured products. This requires the frequent and prompt change of equipment, the average service life of which makes it possible to say with sufficient accuracy how extensively technical progress is embodied in actually functioning capital. At the same time small-series production requires increased spending on R&D and also progressive forms of study of the market and the organization of sales. All this is leading to a slowing of the capital investment recoupment rate.

Having analyzed the dynamics of the capital-output ratio, N.V. Maslov (IMEMO) observed that in the long-term plane it has experienced periods of both rising and sinking movement, and in the first half of the 1980's, what is more, its growth with respect to the economy as a whole was minimal. Among the major long-term factors influencing this process in the past 10-15 years, three may be highlighted: capital investments in environmental protection, energy savings and the automation of production and management. Whereas the first two lead to an approximately equal extent to a growth of the capital-output ratio, the third, as the embodiment of the achievements of S&T progress, is a principal reason for the reduction therein. An examination of the sum total of all the factors, however, permits the conclusion that an increase in the capital-output ratio indicator could come to an end before the end of the present century even.

Questions of a reorganization of the government's credit-monetary policy, new phenomena in the monopoly structure and the situation in the social sphere are connected with problems of S&T progress and the efficiency of the Japanese economy.

I.S. Tselishchev (IMEMO) emphasized that on the one hand an increase in the proportion of large and also medium-sized firms may be observed in Japan's industrial production and, on the other, there is a huge growth in small business in the technically advanced sectors. Small firms are finding niches for themselves ensuring a stable and vast market. Such a situation has taken shape, for example, in the production of integrated circuits and industrial robots, where small-series products or unique models, which are manufactured to special orders, are left for the small and medium-sized firms. At the same time there is an appreciable increase in the significance of the supra-firm story of the entrepreneurial structure. The reason is the intensification of regular, interfirm relations of a long-standing nature at the most varied levels and the appearance of new forms thereof. The main thing in the concentration of production and centralization of capital and the monopoly structure of Japan's economy under these conditions is the level of entrepreneurial associations--both traditional (vertical-horizontal entrepreneurial groups--the keiretsu--and the financial-monopoly associations--the shudan) and the new (for example, the horizontal relations

of corporations of approximately equal strength which earlier did not maintain cooperation relationships).

In the speaker's opinion, the present period of development of the Japanese economy, which began following its passage through the crisis of the mid-1970's, is marked by a pronounced intensification of competitive trends. The significance of competition here as a factor of the growth of the economy and an acceleration of S&T progress is growing.

The reorganization of the Japanese Government's credit-monetary policy was dealt with in the paper of S.V. Braginskiy (Oriental Studies Institute). He dwelt on the particular features of control of the money supply. In Japan the problem of finding ways of its efficient practice arose in a real way for the first time only in the latter half of the 1970's. The forms of state regulation which had been employed prior to this, primarily the so-called administrative guidance of the credit expansion of the commercial banks on the part of the Bank of Japan and the regulated nature of the loan capital market as a whole, had virtually done away with the very problem. The fundamentally new situation which has taken shape as of the present in this sphere is characterized by a lessening of the role of the banks, the liberalization and internationalization of the financial market and the very great proportions of the accumulated national debt. Under these conditions increasingly extensive use is being made of methods of indirect regulation nontraditional for Japan, particularly transactions on the recently created open market. At the same time fear of a spurt of inflation is leading to preservation of the system of quite strict state control over the money supply, albeit with the help of new means and methods.

Examining the main trends of the development of the social security system in Japan, T.N. Matrusova (Oriental Studies Institute) noted that the specifics thereof consist mainly of the fact that the monopolies spend to this end 2.5 times more than the state. Whence the considerable differentiation of social security for different groups of the population and the fragmented nature of its structure. The attempt to standardize the existing systems within the framework of the administrative-financial reform has as yet been unsuccessful. Even now we may speak of a trend toward a deterioration in the conditions of medical service, the abandonment of full payment of temporary disability benefits and a relative reduction in the pension funds. And although there are objective reasons for the latter (the aging of the population), government policy is as a whole showing through clearly--a limitation of and reduction in state spending on social needs and the shifting thereof onto the working people.

Another group of the questions discussed concerned Japan's foreign economic relations.

The pressure on Japan from its trading partners, particularly the United States, brought about by its foreign economic successes, B.V. Ramzes (IMEMO) observed, has affected economic and social problems of cardinal importance, attempts to solve which are usually solely a national prerogative. It is being recommended insistently that Japan take steps aimed at an increase to a certain extent in the influx of foreign commodities and abrupt change in the

export orientation of the economy toward an expansion of domestic investment and consumer demand. However, the Japanese market cannot be opened up to foreign products, to consumer commodities, at least, by any volitional decision. The main obstacles here are the very nature and singularities of demand: the high degree of its satisfaction, individualization and the predominance of the service component over the material-physical component. In addition, Japanese industry has achieved a mass breakthrough to the highest world quality standards, which lowers even more the value of foreign commodities in the eyes of consumers. It is hard to imagine a major change toward preference for imported products any time soon.

Dwelling on Japanese-American economic contradictions, N.Yu. Shevchenko (Oriental Studies Institute) expressed the opinion that their negative influence on the development of the two countries' cooperation was not as appreciable as is sometimes imagined. Also testifying to this is the history of the contradictions: the "trade wars" between the two countries began back in the 1960's, but their impact proved mainly psychological. Even Japan's surplus balance in trade with the United States, which emerged for the first time in 1965 and in 1985 constituted \$50 billion, does not represent a threat to the American economy. Such contradictions are being used by the United States primarily to put pressure on Japan for political purposes. Nonetheless, no real anti-Japanese measures are being adopted: of the more than 300 bills aimed against Japanese trade expansion, not one has been adopted. When evaluating the Japanese-American contradictions account should be taken of the two countries' colossal interdependence at all levels, which, in turn, is based on the community of their global interests.

In his paper Yu.M. Cherevko (Far East Institute) analyzed Japan's relations with the so-called new industrial countries and territories, which have recently been occupying a marked place in its foreign policy relations. An increasing proportion of the products of these countries and territories is proving perfectly competitive on world markets, which is stimulating a growth of the mutual complementariness and interdependence of their national economies with the economies of the developed capitalist states, Japan included. Particularly close ties have been established in the latter with South Korea. The change in the structure of Japanese investments, which are being channeled increasingly often into the science-consuming sectors of the said countries and territories, calls attention to itself. The emphasis is being put here on highly skilled, but relatively cheap manpower.

We have in the 1980's witnessed the highly dynamic development of Japanese-Chinese trade-economic relations, M.I. Krupyanko (Oriental Studies Institute) observed. Without in the least downplaying the significance of such factors as the geographical proximity and mutual complementariness of the foreign trade structures and also the Chinese leadership's policy geared to the development of contacts with the West, mention should be made of the specific aims and singularities of the strategy of Japanese monopoly capital. These amount primarily to the use of the possibilities of so-called "private diplomacy," which was particularly effective in the period of the absence of official relations between the two countries in the 1950's-1960's, but which has not lost its significance even now. Even under the conditions of the Chinese side's nonfulfillment of contracts for product purchases, the flexibility of

"private diplomacy" enabled Japanese firms, given the support of the whole government, to find a solution to many complex problems and hold on to the Chinese market. In the 1970's-1980's, when it became a target of the competitive struggle of the monopolies of Japan, the United States and the EC countries, an important role came to be assigned another direction of economic strategy--the so-called policy of concessions--and, in the wake of it, the policy of gradual "bridgebuilding". Their purpose was to counter competition on the part of the socialist countries, lessen China's concern at the imbalance in trade with Japan and ultimately contribute to the preservation of strong positions on the Chinese market.

Yu.S. Stolyarov (IMEMO) dwelt on Soviet-Japanese economic relations and emphasized that in the recent past the Japanese side had adopted a policy of their politicization, closely linking them with various problems of political relations both between the two countries and along East-West lines. Whence the tightening of the restrictions on exports to the USSR of high-science and technically intricate products and the latest technology and credit restrictions. As far as inauspicious factors of a purely economic nature are concerned, we should distinguish here primarily the structural rebuilding of the Japanese economy, which is leading to a reduction in the need for imported raw material, Soviet included.

The USSR is adopting active measures to overcome the stagnant trends in trade-economic relations with Japan. Grounds for a certain optimism have emerged in the political sphere. The prerequisites exist for the development of mutually profitable relations in other spheres: S&T cooperation, services and tourism. All this permits the conclusion that bilateral economic relations have passed their low point and are gradually moving onto the path of more stable development.

A big place at the conference was assigned an analysis of the political situation in the Asia-Pacific region and the role here of Japan. The level of economic development which has been achieved, D.V. Petrov (Far East Institute) emphasized, has moved the country among the leaders of the capitalist world, having secured it a strong base not only for economic but also political expansion. It is becoming an equal ally and could be a dangerous political rival of the leading capitalist powers. The long history of following of the lead of U.S. policy by no means signifies a lack of independence. This is manifested most distinctly in the country's actions in the Asia-Pacific region, where Tokyo's interests are colliding increasingly often with those of its trans-Pacific partner. On the other hand, mention should be made of the "consistency" of the Japanese Government's anti-Soviet policy and its complete solidarity on these issues with Washington. Japan, even to the detriment of its own interests at times, has associated itself with all the economic and political actions of the United States aimed against the USSR. It has also marched in single formation with it in the elaboration of the so-called "Pacific Community" concept. At the same time the country's economic, financial and technological (and, in recent years, military) power affords it, Tokyo believes, grounds for pretending to the role of leader in the Asia-Pacific region, which cannot fail to engender new contradictions with the United States. Japan's foreign policy ambitions are, in addition, far from confined to this region. The aspiration of the country's ruling circles to

strengthen their influence in all parts of the world is being manifested increasingly distinctly and demands special attention.

P. Kosc (Hungary) observed that Japan is, as before, a most important U.S. ally. It has a special role in the general imperialist strategy aimed against the Soviet Union and the other socialist countries. This is determined by the stability of the conservative regime, rapidly growing economic power and the possibility of use of the country's territory as a military springboard. At the same time Japan's ruling circles recognize that the sharp increase in military spending, for which their trans-Pacific ally is appealing to them, will lead to a growth of Japan's lag behind the United States in the economic and social spheres. For this reason they believe that it would be the lesser of the two evils to continue to rely on the U.S. military presence, including the so-called "nuclear umbrella". Japan's participation in the SDI is subordinated to the same goals.

There is no reason to expect a sharp increase in Japan's militarization by the end of the century or a shift of its foreign policy course in the direction of some version of neutrality or nonalignment. However, on the basis of the growth of its economic might Japan will evidently succeed in approaching greater equality in relations with the United States.

I.I. Kovalenko emphasized that against the background of the intensification of Japan's expansionist ambitions a dangerous trend toward an increase in military spending and the creation of the conditions for a revival of the military-industrial complex have been discerned. Underestimation of such phenomena would be a serious mistake, particularly in the light of Japan's increasingly active association with the imperialist strategy of confrontation with socialism, primarily the Soviet Union. This process demands close attention on the part of Soviet scholars. At the same time the ascertainment and objective evaluation of the positions of the forces in the country which are capable of stimulating a revitalization of political dialogue between the USSR and Japan which have come to light recently are essential.

The participants in the discussion paid considerable attention to the idea of the so-called "Pacific Community". V.N. Khlynov (IMEMO) observed that ideas of the creation in the Pacific zone of various organizations, mainly of an economic nature, were being put forward and realized at the initiative of Japanese ruling circles as of even the mid-1960's. However, the majority of countries of the region are evaluating the situation very realistically, understanding Japan's aspiration (in alliance with the United States) not only to economic leadership in this region. The idea of a "Pacific Community" as it appears today not only does not correspond to the interests of peace but represents a direct threat to international security in the Asia-Pacific region. While opposed to any exclusive groupings and "spheres of influence," the USSR, for its part, has put forward the proposal concerning a comprehensive approach to the problem of security in Asia and the possible unification of efforts in this direction of the states located here.

The evolution of the "Pacific Community" concept was analyzed in his paper by Ye.B. Kovrigin (Far East Research Center). It was born on the basis of the formation in the Pacific of a kind of new economic center. The first shoots of

the idea in Japan appeared in the middle of the century and underwent a long path of development, beginning with the "prosperity zone" and "unification of the economies of Pacific states" concepts, but only in 1980 did it acquire its formalized embodiment, when the final report of the commission headed by S. Okita appeared. The idea proclaimed there of the association of the five developed states (Japan, United States, Canada, Australia and New Zealand), ASEAN and the new industrial countries and territories in a regional grouping was received in highly contradictory fashion. The latent aspiration of Japan and the United States to convert the "community" into an antisocialist association did not meet with support on the part of a number of the other of its possible participants.

A.P. Markov (Far East Institute) compared the positions of Japan and the United States on the "Pacific Community" issue. The differences between the two countries proceed from the following distinction: the main thing for Japan is the strengthening of its economic and political influence in a region of traditional importance for it, the main thing for the United States is the realization of global military-strategic plans.

However, as of the start of the 1980's Tokyo has aspired to make appreciable adjustments to its interpretation of the "community" idea in order to make it acceptable to Washington. The current "Pacific boom" which has encompassed various departments of Japan and the United States following Y. Nakasone's visit to the United States in January 1985 has been the result of these steps. But if the main inspirations behind the creation of a "community" have indeed reached some common opinion, there is a multitude of obstacles of an objective and subjective nature en route to the realization of this idea. These are primarily the justified misgivings of the ASEAN countries that the "community" could lead to their economic and political enslavement and--this is particularly important--that there is a real danger of its conversion into an organization with military functions. Nonetheless, Japan and the United States are continuing to pull the region's states into the preparation for the creation of a "community" by way of "small steps" tactics.

V.N. Bunin (Far East Institute) examined the position of Japan's ruling circles on a number of aspects of military policy. The basis of the Japanese leadership's concept of national security has throughout the postwar period been the idea of close interaction with the United States on the entire panoply of military-political problems. Neither the evolution of the international situation, resistance within the country nor the change of prime ministers and the change in the alignment of forces in the ruling camp has led to serious changes in Japan's foreign policy course and its military policy. The forms of Japanese-American military relations are varied: Japanese territory made available for U.S. bases, joint maneuvers in the Pacific, close to the borders of the USSR included, and so forth. Nor do any declarations of the independence of Japan's foreign policy withstand criticism in the light of recent events: Japan's decision to participate in technical developments of the American SDI program.

In turn, W. Wallraf (GDR) touched on certain Japanese ideas concerning the further development of the alliance with the United States and cooperation with imperialist countries in the military sphere. In view of the fact that

the objective process of Japan's conversion into a great power is proceeding in very slow and contradictory manner, the Japanese-American alliance continues to be of strategic significance to it. The country's ruling circles give it unlimited priority inasmuch as, they believe, it alone affords a possibility of Japan's global political influence. The content and forms of cooperation with other capitalist countries are determined by proceeding from the existence of the most important thing--the Japanese-American alliance. A trend toward the interweaving and balancing of factors of conflict and cooperation, given the growth of interdependence and increased military cooperation in the Asia-Pacific region, may be traced in the bilateral relations here. As far as Japan's relations with other imperialist states are concerned, the main place here is occupied by political coordination at the three centers of imperialism level.

V.G. Achirova (Bulgaria) noted that the events of the past two decades in Southeast Asia had created the prerequisites here for a change in the correlation of forces in favor of socialism and for a relaxation of international tension. An important role in these processes is performed by mutual relations between two groups of states: the Indochina countries proceeding along a socialist development path with the ASEAN members and also the relations of all these countries with other states, particularly with Japan. It (in conjunction with the United States) is attempting to counterpose the ASEAN countries to the Indochina states. And, furthermore, whereas for a long time Japan's interest in Southeast Asia was connected with the use of labor and natural resources, it has in recent years acquired a pronounced political coloration. In the speaker's opinion, the present Japanese leadership continues to adhere to an unfriendly position with respect to the Indochina states and is contributing to the destabilization of the situation in Southeast Asia.

The entire complex of dangerous trends which have come to light in the policy of the Japanese leadership in the 1970's-1980's, its policy of further rapprochement with aggressive NATO circles, particularly the United States, the buildup of its own military might and propaganda of Japanese militant nationalism--all this has created complex conditions for the struggle of the country's progressive forces for peace and the security of their people, the Asia-Pacific region and the whole world, A.I. Senatorov (CPSU Central Committee) emphasized. The directions of this struggle are wide and varied. Having experienced the tragedy of Hiroshima and Nagasaki, the Japanese people and their most conscious and progressive sections are aware of the colossal danger of nuclear weapons and are actively opposed to a revision of article 9 of the Japanese Constitution and attempts to disrupt Japan's "three nonnuclear principles". The peace movements are closely interwoven with the Japanese working people's struggle for their socioeconomic rights for only under the conditions of peace and security is the realization of these rights possible.

The speech of E.V. Molodyakova (Oriental Studies Institute) was devoted to questions of the Japanese communists' struggle against a rebirth of militarism in the country. Recent years have been marked by an intensification of militarist trends in the policy of Japan's ruling circles. This cannot fail to give rise to serious concern in the ranks of the progressive public. Mass protests against the nuclear danger, the extension of military-political

cooperation with the United States and the American military bases and calls at the country's ports by American warships have encompassed the broadest strata of society. The movement for making communities, cities and whole prefectures nuclear-free zones is growing. The antiwar protests are meeting with the warm support of Japanese communists, which has been reflected in documents of the Japanese Communist Party and materials in the communist press.

The conference of socialist countries' Japan scholars has shown, G. Horn (GDR) observed, that scholars of the socialist countries are confronted with big tasks, whose accomplishment is important from both the scientific-theoretical and practical viewpoints.

Our scientific interest in Japan, I.A. Latyshev (Oriental Studies Institute) emphasized, is based on the constant need for good-neighbor contacts with this country and an aspiration to know more about it and understand it better. Distinctive features of Soviet Japan studies are a party- and class-based approach to all phenomena of Japan's social life, an endeavor to ascertain objectively the regularities at the basis of the development of Japanese society, a sympathetic attitude toward the interests and requirements of the working people's masses and at the same time scrupulousness in assessments of the actions of the country's ruling circles in any sphere, economics, policy or ideology.

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BOOK ON SOCIALIST ECONOMIC TIES, S&T REVOLUTION REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 135-137

[N. Shmelev review: "S&T Progress and the Socialist Countries' Foreign Economic Relations"]

[Text] The S&T revolution is exerting a direct and constantly growing influence on the CEMA countries' world-economic positions and the possibilities and results of their participation in the international division of labor. Making active use of the benefits and advantages of the latter is the traditional policy of the fraternal countries and their consistent and invariable course. At the same time it is obvious that their specific national economic tasks, in the foreign economic sphere included, have corresponded and continue to correspond to each stage of the development of world socialism.

The work in question (1) by an international group of scholars of the socialist countries is devoted precisely to the new, complex tasks in foreign economic activity, which constitute a clearly expressed singularity not only of the present day but also of the outlook of the coming 5-year plans. Broadening participation in the international division of labor is to an increasingly great extent becoming an independent and effective factor of an intensification of the national economy. The decisions of the 27th CPSU Congress regard active foreign economic relations as an inalienable organic component of the entire concept of an acceleration of economic and social development elaborated by the party.

The rise in the S&T level of production is designed to ensure for the fraternal countries the solution in the foreseeable future of their main foreign economic problem--the need for an expansion of competitive exports of technically advanced products, primarily machine-building products. "The question of quality," the monograph observes, "is at the center of attention in the development of the trade in machinery and equipment between socialist

1. "Vneshneekonomicheskiye otnosheniya sotsialisticheskikh stran v usloviyakh NTR" [The Socialist Countries' Foreign Economic Relations Under the Conditions of the S&T Revolution]. Ed. Prof I.P. Faminskiy, doctor of economic sciences, and Prof M.N. Osmova, doctor of economic sciences, Moscow, Izdatelstvo Moskovskogo universiteta, 1985, pp 216.

countries. When moving onto the markets of capitalist countries, exporters of the socialist countries compete with capitalist firms producing analogous products.... An increase in quality is also of great significance for an expansion of exports to the developing countries for the latter have the opportunity to choose on the world market the supplier producing equipment at a higher technical level and at lower cost" (p 12).

A decisive role in this respect is performed by the gradual surmounting of the evolved functional gap between the production and foreign economic spheres and the creation of a direct, immediate connection. "Industrial enterprises," we read, "must participate more actively in foreign economic activity and concern themselves with ensuring the competitiveness of their products not only at the stage of their production but also at the stage of their sale and operation" (p 14).

An increase in the independence and responsibility of the production sphere in the exercise of foreign economic activity could be an important means of overcoming this functional gap. "Advancement of the production organizations to the forward boundaries of the CEMA countries' economic cooperation," the book rightly observes, "naturally does not mean that they must all obligatorily acquire the right to move onto foreign markets and establish direct contacts with their foreign partners" (pp 29-30). But the thrust of the trends that have come to light is obvious: the gradual conversion of foreign trade organizations into fully financially autonomous broker-agents and granting the most powerful, most competitive industrial associations the possibility of assimilating foreign markets for their products themselves on the same financially autonomous principles.

An appreciable change in a number of general economic conditions of the activity of both the foreign trade broker-organizations and the industrial associations engaged in export-import transactions is necessary, however, to achieve this goal. We have to agree with the authors of the monograph that the most important and, we stress, most complex tasks here are to be found in the pricing sphere. This is primarily a need for the creation of a direct connection between domestic wholesale and foreign trade prices. In order for foreign trade prices to influence the producer in the necessary direction and stimulate a choice of the options of international cooperation most efficient for the country it is necessary as a minimum to overcome the gap that has evolved between them, which is impeding the organization of complete cost accounting along the entire chain of "R&D--investments--production--sales" relations (p 37).

A most important problem today is the possibility of making a substantiated evaluation of the efficiency of this version or the other of foreign economic relations and, in particular, this specific transaction or the other. As the work emphasizes, this measurement cannot be made on the basis of the prices in effect in domestic economic turnover and official currency exchange rates. "Many economists believe that calculations of the efficiency of foreign economic relations should take into consideration specially designed indicators reflecting effect and outlays and also current currency rates (coefficients)" (p 56). However, it is precisely on this last point that the position of the authors, who evaluate the actual state of affairs soberly as a

whole, gives rise to objections. In our view, what is needed is not the designing of artificial values divorced from the real life of the foreign trade and production organizations but improvement of the current system of pricing, primarily the approximation of the basic price correlations to current world proportions. The same may be said about currency exchange rates.

These questions are undoubtedly also related most directly to the task of an improvement and updating of the mechanism of socialist economic integration and the transfer of international interaction to an intensive track. The basis of this updating is implementation of the recent joint decisions recorded, in particular, in documents of the top-level CEMA economic conference in June 1984. These are primarily coordination of general economic policy and capital investment plans, development of direct joint-labor relations between enterprises, creation of joint organizations and implementation of the Comprehensive Program of S&T Progress up to the Year 2000. It is obvious, however, that the further development of international socialist cost accounting, a strengthening of commodity-money relations and an improvement of a number of as yet inadequately operating cost levers of control of the international movement of resources are essential for the successful achievement of the set goals.

The monograph raises, in particular, two, in our view, key questions of the current system of commodity-money relations within the CEMA framework. The authors rightly note that the pricing practice in the fraternal countries' mutual economic relations is very far from perfection. The increasingly close linkage of contract prices with world prices, for all commodities included--"a reduction in the base period of the averaging of world prices" (p 127)--is essential, they believe. The other most important question is the need to "afford room for the application of currency exchange rates and the relatively free movement of currencies in accordance with the functioning of the economic complex of CEMA as a whole and its national parts" (p 143). Looking to the future, the scholars see the transferable ruble as the true "currency of currencies" of the socialist countries, that is, the exponent of cost criteria at the level of the entire integration mechanism. The position with respect to the entire currency problem as a whole expounded in the work also merits, we believe, unreserved support. "The long-term goal of an improvement in the currency system of socialist economic integration," we read, "is also the achievement of the convertibility of the national currencies into the collective currency and also their mutual convertibility. This goal may be realized gradually, by way of the implementation of partial measures interlinked with the remaining measures in the sphere of control of the reproduction process in individual countries and within the framework of the whole community (this also applies to problems of the introduction of the complete or partial convertibility of the transferable ruble into convertible currency)" (p 151).

Also of interest are the observations and conclusions of the authors of the monograph concerning the existing difficulties and prospects of mutually profitable economic relations between countries with different social systems. I would like to mention primarily that they essentially adhere to positions of the "interdependence concept," although this very concept is not present in the book directly. It is rightly emphasized that the American policy of

"economic warfare" against the socialist world is not in the least reason for the socialist countries' abandonment of active participation in the international division of labor (p 179). We also have to agree with the authors that the objective trends of the present day and partners' growing interest in mutually profitable cooperation are a more effective force than temporary fluctuations of the international situation under the influence of Washington's short-sighted, selfish policy. Despite the fact that the scholars underestimate somewhat, in our opinion, the significance of the particular setback in East-West economic relations in the 1980's, they correctly point to the main practical task of the CEMA countries in this sphere--the need for profound changes in the structure of their exports and a sharp rise in their competitiveness. The monograph emphasizes that "the task of a substantial rise in the proportion of finished products with high technical-economic and quality specifications, the creation of a strong export potential in the most progressive sectors of manufacturing industry and an improvement in the service of the products exported to the capitalist market" (p 188) is advanced first and foremost.

The interpretation of the very important question concerning the need for the closer coordination of the CEMA countries' policy and practical actions in their relations with capitalist partners gives rise to a wish to object, however. While recognizing the undoubted need for such coordination the authors at the same time, we believe, unjustifiably narrow its prospects, asserting, inter alia, that "socialist economic integration does not pursue... as its goal the formulation of a common trade or economic policy in respect of third countries" (p 173). I believe that under the conditions of the growing coordination of the policy of the Western powers and the trend toward the formulation by the COCOM states of virtually a uniform line in respect of the CEMA countries, such a view of things is hardly justified.

The book in question is undoubtedly ensured the interest of the scientific community. Its main merit, it would seem, is that the participants in the international authors' group have succeeded in blending together a systematic exposition of problems and the formulation of new important questions in respect of which far from everything in the economic literature of the fraternal countries is as yet clear.

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SEMEYKO REVIEWS BOOK ON ARMS RACE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 143-145

[L. Semeyko review: "Acute Global Problem"]

[Text] The book in question (1), which was prepared by a group of authors of the USSR Academy of Sciences Institute of World Economy and International Relations within the framework of the Scientific Council for Study of Problems of Peace and Disarmament (Candidate of Historical Sciences A.D. Nikonov, executive editor), examines from current standpoints the most varied aspects of the arms race--political, military-technical and economic. Also examined in dialectical unity are the interconnections, which makes it possible to create a convincing picture of the threat looming over the world as a whole and individual regions thereof. This is particularly valuable since consideration of the interconnections in the arms race is becoming increasingly important. There is a connection between nuclear and space-based arms (the creation of a space "shield" would make for a sharpening of the nuclear "sword," and the latter would lead to an increase in the "shield"); between nuclear and conventional arms (both their increasingly great comparability in terms of their destructive potential and the increased likelihood of the growth of a conventional war into a nuclear war here); and, finally, between the arms race and disarmament (the first makes the second increasingly difficult, and in a number of cases, impossible).

The group of authors faced an exceptionally complex task: analyzing with regard for the latest material, the process and focus of the arms race not so much in the past as in the present and, possibly, in the future, if preventing a buildup of military arsenals is not possible. It is for this reason that the first chapter even sets the tone of the entire book, revealing the political and military-technical singularities of the situation which is taking shape in connection with the attempts of imperialism, American primarily, to break up the military-strategic balance in the world.

1. "Gonka vooruzheniy: prichiny, tendentsii, puti prekrashcheniya" [The Arms Race: Causes, Trends, Ways of Curtailment], Moscow, "Mezhdunarodnyye otnosheniya", 1986, pp 304.

The active "nonacceptance of the very fact of military-strategic balance and the endeavor to disrupt it at any price and achieve American strategic superiority are now the core of the entire military policy and strategy of leading circles of the United States and the whole NATO bloc and the main political factor spurring the arms race" (p 10)--such is the work's key proposition. It explains the paradox of the end of the present century: in a world supersaturated with means of extermination capable of destroying everything living, a new stage of the arms race which is unprecedented in terms of scale and qualitative features is maturing. Its essence lies in the use of the latest achievements of the S&T revolution in all components of military power. The goal which American imperialism is setting here is to achieve the unilateral capacity for delivering a disarming and decapitating strike as swiftly as possible.

The arms race is analyzed in the book not only in the plane of specific indicators in such spheres as nuclear weapons, space-based strike arms and conventional arms but also through the prism of the military-strategic concepts and military policy of the United States as a whole. As far as actual data are concerned, they are not only extraordinarily abundant quantitatively but also highly valuable from the qualitative viewpoint: for this reason the book may perfectly well be used as a quality reference. The authors' conceptual approach to determination of the role and place of the logistical base of war in Washington's military-doctrinal tenets and in its actions pertaining to the use of force to achieve the outlined goals makes a very favorable impression also.

The analysis of the American plans in the sphere of nuclear and space-based weapons is united in the book in question by the following task: showing on the basis of specific facts and figures, the United States' endeavor to acquire first-strike capacity not only by a buildup of the "counterforce" combat potential of strategic offensive arms but also the creation of means of a broad-based antimissile defense, which would in fact perform primarily offensive aggressive functions. The authors succeeded in accomplishing it. Such a political and military-technical illustration of the plans for the creation of a strategic offensive-defensive symbiosis gives the reader a clear idea of the very essence of the new stage of the arms race being developed by the United States. We would note in passing that it is hardly advisable to reduce this essence merely to the computerization and upgrading of control systems (p 14). Electronics are rather the key to the Pandora's box than what goes into it. Constituting the latter are the latest means of destruction capable of delivering a first strike in the nuclear-space sphere, and in the conventional arms sphere, of hitting the target with the first round. The material of the book is convincing testimony to this.

The proposition concerning the fact that the "ongoing quantitative growth and qualitative changes in conventional arms are not only taking them beyond the limits of the 'conventional' concept but also creating conditions for the accomplishment with their help of tasks of strategic significance, even without the use of nuclear weapons" (p 188) is valid. Conventional ammunition of great destructive power with high accuracy and great range is a serious threat. Instead of the hundreds of pieces of ammunition once required to hit an important small target, one-two guided missiles or bombs are now

sufficient. In addition, it is becoming possible with one operational-tactical missile to destroy 10-15 targets, tanks, for example (p 185).

Increasingly great significance is being attached to the latest conventional arms, as to general forces as a whole, in Washington's military-political and strategic plans, to which testify the "air-land battle" and "Rogers Plan" concepts, which provide for the spatial expansion and growth of the scale of the use of the firepower of conventional forces for the purpose of active offensive operations to great depth.

The work pays considerable attention to the European aspect of the arms race--both in the plane of the specific actions of the United States and NATO and from the viewpoint of the globalization of American military policy. The tune in the escalation of the arms race is being called by the United States, which pays for approximately 61 percent of NATO's total military spending. Of the approximately \$80 billion spent by the countries of the Eurogroup for military purposes, \$18.5 billion (or more than 23 percent) are spent on acquiring the latest arms in the United States, the FRG, France and Great Britain. The three latter account for 80 percent of the arms created by the West European members of the bloc (pp 118-120). These and other indicators adduced in the book are supplemented by data on such channels of the arms race as the programs of modernization of the NATO infrastructure, primarily in Europe.

Considerable attention is paid to the trend toward the spread of the militarist preparations of the United States and NATO beyond the bloc's effective geographical zone. These include plans for use of the European bases for operations outside of this zone, the formation of the RDF and coordination of the allies' operations when engaged in individual aggressive actions. It is ultimately a question of a process of the formation of the aggregate military might of imperialism, to which the discursive and interesting second chapter is devoted. The said process has gone beyond the NATO framework, acquiring in the past two decades new quantitative and qualitative parameters.

Both a unification of efforts and division of the spheres of responsibility of imperialism in the military and military-economic spheres are under way. Military-economic interaction, the book observes, "is to a considerable extent a new category, which has arisen as a result of the globalization of the military preparations of imperialism and which reflects attempts to increase military-economic pressure on the socialist countries" (p 32). It is a question here both of the NATO allies and "non-NATO" countries adhering to a pro-American policy. In 1984 the military spending of 14 such countries constituted more than 88 percent of the military spending of the West European region, and the strength of their armed forces was almost half a million men more than that of the United States' NATO allies (p 41).

Interesting material is adduced in the chapters devoted to the arms race in the Asia-Pacific region, the naval arms of the United States and the other NATO countries, the influence of militarism on the developing countries and economic aspects of the arms race. The final chapter, which is devoted to the public movement against the arms race and for disarmament, is logical and comprehensive.

The structure of the work as a whole is successful, although the authors have not succeeded in escaping a number of repetitions and reversions to one and the same question. This applies particularly to the conventional arms race examined in different chapters. At the same time, on the other hand, the military-technical aspects of a number of the latest arms (particularly the nuclear-pumped X-ray laser, railguns and means of countering a space-based missile defense) are practically unillustrated. Unfortunately, there is very little material on the plans for the modernization of the Anglo-French nuclear potential.

In conclusion we would express the hope that the new study of a most urgent problem of the present day made by the highly qualified group of authors of the IMEMO will be met with interest by the scientific community, propagandists and all who are interested in international problems.

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HOOVER INSTITUTION BOOK ON U.S.-JAPAN STRATEGIC TIES REVIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 145-148

[N. Shaskolskiy review: "Prospects of American-Japanese 'Interaction'"]

[Text] "Politically the subject of my study is highly delicate," E. Olsen acknowledges in the preface to his book "U.S.-Japan: Strategic Reciprocity. A Neo-Internationalist View" published by Stanford University's Hoover Institution (1). The author is a specialist in military-political problems of the Asia-Pacific region who has authored a number of works in the sphere of Japan's foreign policy and on the Korean and other problems. In his estimation, virtually everyone in the United States believes that relations between the two countries are currently constructed wrongly, and from the viewpoint of American interests, simply unfairly and that the main components of these relations need to be changed as quickly as possible.

The widespread view in the United States that the Japanese are getting a "free ride" on someone else's military "train" and deriving great benefits from the fact that the United States "looks after" their defense is well known. However, the book also adduces another viewpoint, which is prevalent among the Japanese themselves, who believe that it is rather the Americans who are getting a free ride on the military efforts of their trans-Pacific partner, forcing it to spend money on defense against a threat which does not in fact exist (p 97).

There are other opinions also. Many people see Japan not as an independent military-political force but merely as Washington's "proxy". The author himself, however, is concerned with something else: if this country is entrusted in the region with economic leadership, and the United States with military-political leadership, it is rather the Americans, he believes, who will be performing the role of "proxy" of Japan or its "mercenary" even. Allied relations will not become stronger because of this, E. Olsen believes (p 151).

1. "U.S.-Japan Strategic Reciprocity. A Neo-Internationalist View," Hoover Institution Press, Stanford University, Stanford, California, 1985, pp XII + 194.

The scholar hopes by his book "to contribute to a balanced reassessment" of U.S. policy in respect of its Far East partner, to show that the current policy is outdated and to propose ways to update it (p XII).

In making a retrospective analysis the author attempts to determine a periodization of Japanese policy in the defense sphere. In his opinion, since the end of WWII several stages may be distinguished here--from the "emotional pacifism" of the first postwar years to the "pragmatic nationalism" of the present day.

"Emotional pacifism" was characteristic of a country which had just sustained a catastrophic defeat and was only just recognizing the recklessness of the plans to achieve "prosperity" by way of military domination over other states. At a time when Japanese-American relations were built on the basis of an occupation regime and the U.S. military command was the complete master of the situation, the following view became widespread: the country's peaceful development must be secured at any price, and the use of military force to accomplish foreign policy tasks had to be renounced altogether.

The author then distinguishes a period of "pragmatic pacifism". It is distinguished by the effective use of the economic and political advantages derived from concentration of the country's efforts on the development of the economy and the social sphere, without the expenditure of huge resources on militarist preparations. In this period, the scholar believes, the state's military policy not only was not shaped officially but public discussion thereof was even under moral prohibition, as it were. Even at that time American ruling circles began to be concerned at the possibility of a further reduction by Japan in its spending on arms. At this stage the latter was scoring considerable successes in the development of the national economy, emerging onto the world scene and beginning to compete successfully with the most advanced powers of the West, and not only on foreign but also domestic markets, what is more. As E. Olsen puts it, in this period the "samurai-conqueror" radically altered his appearance--he was now subjugating other countries "armed only with a diplomatic bag" (p 123).

Here the author discerns the origin and development of the third stage, which he calls "emotional nationalism". The big successes of Japanese business and general recognition of the undoubted achievements revive national self-awareness and ambitions: a perception of superiority to others, including the mighty imperialist powers, emerges.

Coming to replace the period when the government confined its plans mainly merely to economic expansion, deliberately emphasizing the country's "secondary" role in world politics, is the stage of "pragmatic nationalism," as E. Olsen cautiously defines it. The main thing here is the lifting of the taboo on the discussion of the government's military policy and an appreciable increase in military spending. Open appeals are being heard, at the official level included, for a revision of the peace articles of the constitution as allegedly not corresponding to Japan's place and role in the modern world.

The new approach is bearing "fruit". Specifically, there has been an appreciable change in recent years in the mutual relations of the government

and the military command. Thus the armed forces now have the authority to initiate military operations "in response to an attack" without the authorization of the civilian authorities. Nor are any material "consultations" with the government required when conducting joint military actions with the United States, if they are geared to defense. Mutual relations in the event of operations beyond the confines of Japan have not been thus defined, it is true, but here also, we read, "both sides consider naive the demands concerning prior consultations." There is "tacit agreement" between the partners on this score, the work observes (p 94).

Although it is the so-called "pragmatic nationalism" which is stimulating the country's nationalization, the author criticizes Tokyo's practicality. He is unhappy that "the priorities of Japanese military planning are determined not so much by the military threat" as economic expediency (p 91).

Such pragmatism in the present military-strategic relations with the United States was expressed most precisely, he believes, by Prime Minister Y. Nakasone: "Japan will defend itself, but will make 100-percent use of the armed forces of the United States; given this approach, defense will be cheaper for us" (p 97).

A policy of procrastination is characteristic of Japanese-American relations at the "pragmatic nationalism" stage when it comes to the adoption of unpleasant and costly decisions. Tokyo usually confines itself to promises "to spend somewhat more money, listen more attentively" to Washington and "accommodate some of its demands" (p 114).

However, this period also is passing, and the next one is approaching. The author does not bestow on it any name but believes that bilateral relations must now be radically reorganized, for which a radical restructuring of the thinking of the American leadership is necessary also. The essence of his proposal amounts to regarding Japan as an equal strategic partner. At the same time it turns out that it is precisely this prerequisite which is the main stumbling block en route to a new policy. E. Olsen rightly believes that the United States is completely unprepared for such an approach (and not only in respect of Japan, what is more). Under no circumstances is Washington about to share its military-political leadership with anyone. And for this reason the sole place which it assigns Japan, given this approach, is that of being an integral component of American global strategy.

But problems are arising here caused by the failure of the long-term goals of U.S. policy to correspond to the contemplated traditional ways of achieving them. On the one hand Washington strategists would like to see a compliant and even obedient Japan as a strongly attached ally, on the other, as a regional military-political leader which would not only assume all expenditure and concerns pertaining to its own "defense" but would also exercise some of the military-political "commitments" of the United States as some "world leader". It is clear, however, that these goals are incompatible: the stronger Japan is in the military respect, the less the likelihood of it pursuing a pro-American policy in any situation.

The author reveals the inconsistency of U.S. military policy in this region. We may agree with him that the increase in the American naval presence, the deployment of squadrons of fighter bombers in proximity to USSR territory and other measures to build up arsenals will hardly specially inspire the Japanese leadership to increase the scale of its own so-called "defense" activity, which by any criteria is in excess of the level of sufficiency as it is. E. Olsen recommends another way: the United States should, he says, demonstrate its "weakness" in the region caused by the "overload" of military commitments in other parts of the world to induce its Far East partner to make good the "gaps" here in military assistance to the West. But the author is prey to doubts here: if it is announced that the United States needs "help," will this not evoke among its allies an impression of the unreliability of the American "shield" (p 98).

One further problem: in demanding that its partner pay greater attention to military preparations, Washington must recognize that this will inevitably lead to an increase in Japan's military-industrial potential (it cannot seriously be expected that under current conditions militarization will proceed only thanks to expanded purchases of American weapons) (p 83). But Japan's above-mentioned "pragmatic" approach would come into conflict with the limitation on the volume of production of models of weapons intended solely for its own consumption: given large outlays on development and small series, it would be unprofitable or, in any event, would not promise the profits customary for Japanese business. Therefore the question of a possible expansion of arms exports arises, the more so in that the Pentagon itself is already "eroding" these restrictions, insisting on exports of military technology to the United States. It would hardly, however, be in the American military monopolies' interests to allow such a strong competitor on the world arms market.

And one further inevitable difficulty, E. Olsen believes, which the United States will encounter in pursuing its policy in respect of Japan: the undoubted fact that the latter is Washington's main economic, political and military partner in Asia is giving rise to the very guarded attitude of many Asian states, the scholar warns. Proceeding even further along the path of a "division of responsibility," that is, essentially increasingly associating Japan with its global and regional military-political plans, the United States, he believes, could encounter very big difficulties when it has to explain to the countries of the region why it is so necessary to build up Tokyo's military potential (p 150).

It should be noted that all these evaluations of the prospects of American-Japanese military-strategic "reciprocity" are built on the assumption that the Liberal-Democratic Party will remain in office in Japan. The military programs of the opposition forces, with their orientation toward a policy of neutrality and nonalignment, are declared by E. Olsen to be completely unacceptable from the viewpoint of American interests. A government formed by the LDP is, as he puts it, a "rock" consolidating an important part of the United States' global strategy. Any talk of the possibility of the assumption of office in Japan by other political parties he considers utopian. However, clearly switching here

from the language of scientific analysis to that of great-power ambitions, the scholar recommends, nonetheless, that these domestic political processes not be lost sight of lest the opposition become a "real force" (p 99).

What the author manifestly lacks is an objective, comprehensive analysis of the USSR's policy in the Pacific region. He cannot avoid here hackneyed phraseology concerning the "Soviet threat" and the "growth of Soviet military power". E. Olsen's scientific potential, one would have thought, might have allowed him to evaluate objectively both the real level of the armed forces and the interests of a great neighbor of Japan's with every reason to be concerned for the inviolability of its eastern borders. However, such ways of ensuring mutual security as arms limitation and the extension of confidence-building measures to the region entirely escape the author's field of vision.

To put it mildly, such a defect may certainly be explained: after all, it is precisely on the "threat from the North" myth that the supporters of the aggressive alliance chiefly speculate. An objective analysis of Soviet policy might altogether call in question the need for Japan to continue development of military-strategic "reciprocity" with Washington. It would clearly illuminate the sole important purpose of these ties for the latter--involving its Far East partner as quickly and deeply as possible in its reckless policy of global confrontation with the USSR.

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BOOK ON VARIOUS TYPES OF 'NATIONAL LIBERATION FORCES' VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 12, Dec 86 (signed to press 18 Nov 86) pp 148-149

[A. Elyanov review: "Important Factor of World Development"]

[Text] The problem of anti-imperialist unity is of considerable interest for Soviet social science. This is not surprising; after all, it is essentially a question of the ways and forms of the world revolutionary process. Although the book in question (1) is devoted primarily to the activity of the Afro-Asian Peoples' Solidarity Organization (AAPSO), the author's field of vision in fact includes all in any way significant associations and movements actively struggling against imperialism and neocolonialism and for a strengthening of the national sovereignty of the emergent states. Particular attention is paid here to the nonaligned movement and the so-called Group of 77, which acts on behalf of the developing countries in various establishments of the UN system. The AAPSO is essentially seen as a detachment of the present-day national liberation movement in interaction with other anti-imperialist forces, proceeding from its role in the formation of organized forms of the unity of national-patriotic forces of a wide spectrum.

The sociopolitical prerequisites of the unity and interaction of the world anti-imperialist forces are studied, the place of various classes, social strata and groups in this process is ascertained and the vanguard role therein of the revolutionary-democratic currents is shown on the basis of a vast amount of well-documented factual material (pp 31-50). It is significant that temporary setbacks in the formation of a broad alliance of anti-imperialist forces and attempts to cut off from it "the supporters of scientific socialism have created a highly dangerous situation, which is being used by international imperialism in its subversive operations against the peoples' national liberation struggle" (p 59).

1. A.S. Dzasokhov, "Yedinstvo i vzaimodeystviye antiimperialisticheskikh natsionalno-osvoboditelnykh sil. (Opyt, problemy, perspektivy) [Unity and Interaction of the Anti-Imperialist National Liberation Forces (Experience, Problems, Prospects)], Moscow, Glavnaya redaktsiya vostochnoy literatury izdatelstva Nauka, pp 252.

The book contains a comprehensive analysis of the formation of the political strategy of the anti-imperialist, progressive-democratic and national liberation forces in the struggle for complete decolonization, the curtailment of the military-political expansion of neocolonialism in various regions of the Afro-Asian world and against the imperialist policy of enlistment of the emergent countries in a disastrous arms race. Also a subject of investigation were the singularities of the socioeconomic strategy of the international democratic organizations struggling for a new international economic order, against the neocolonial expansion of the TNC and for the economic independence and social progress of these countries.

The work seriously criticizes the contemporary neocolonialist, bourgeois-reformist, rightwing-nationalist and other "supraclass," "religious-communal" and racial solidarity concepts, which may allegedly substitute for the international unity and interaction of the anti-imperialist national liberation forces.

In the period when the main task of the national liberation movements was winning and consolidating state independence the main emphasis was naturally put on the unification of all progressive national-patriotic forces of each colony and semicolonial territory individually. But even then a considerable part in the achievement of this goal was played by international solidarity. Particular significance here was attached to the support for the peoples' just struggle for national self-determination on the part of the Soviet Union (see pp 37-38, 46, 50 and elsewhere).

As the book convincingly shows, as the former colonies and semicolonial territories emerged onto the tracks of independent national development and the center of gravity of the national liberation movements shifted to the socioeconomic plane, the significance of the interaction of all anti-imperialist progressive forces on an international scale grew also. There was simultaneously an increase in the role of their all-around cooperation with the socialist world, which had become an increasingly reliable counterweight to the imperialist policy of diktat and coercion. In recent years a most important area of such cooperation has been the struggle against the threat of thermonuclear catastrophe, and for detente and disarmament.

With the increase in and complication of the tasks confronting the anti-imperialist movement there has been an expansion and renewal of its social base. And, furthermore, "many of the key tasks of the world anti-imperialist struggle, while preserving the regional-country nature and specifics, have at the same time assumed a clearly expressed global nature. This applies particularly to the tasks of the struggle to prevent war, ensure international security, intensify active counteraction of the expansion of the imperialist monopolies and states and eliminate the last centers of colonialism and racism" (p 62).

The postwar experience of the struggle of the world anti-imperialist movement for the unity of its ranks makes it possible to speak also of the consistent deepening of its political content. Convincing evidence of such a turn of events is, as the book shows, the diverse practical activity of the AAPSO, which by virtue of the very logic of the anti-imperialist liberation struggle

is to a large extent growing closer in terms of its focus to the revolutionary-democratic current of the world national liberation movement (p 120).

The elaboration of such questions as the general and the particular in the world, regional and country national liberation movements, their correlation and interaction and the place and role of each in the struggle against economic and technological neocolonialism is of particular theoretical and practical interest. The author is right in principle, I believe, to evaluate the diplomatic victories of the emergent and socialist states in the United Nations primarily as the international-law basis and an important stimulus to a galvanization of the struggle against neocolonialism and for a restructuring of the unequal system of international economic relations created by imperialism on just democratic principles. He is also right to say that the adoption of the corresponding decisions represents "essentially merely the first stage on the difficult and long path of complete decolonization" (p 180).

A special chapter in the work is devoted to questions of the struggle of the young states for economic independence and social progress. But the author has not, in our view, paid due attention to these problems. The description of the contemporary national liberation movements, as, equally, the analysis of the factors which are the basis of their aspiration to unity in the struggle against imperialism, is thereby somewhat impoverished. At the same time a particularly important role in the Afro-Asian solidarity movement, which in the future will evidently increase as the most acute political problems are solved, belongs together with the struggle for peace and against the threat of war to questions of socioeconomic development. This applies primarily to internal social transformations, on which both the dynamics of the emergent countries' socioeconomic progress and the change in their place in the world capitalist economy will depend to a decisive extent.

The question of the possibilities of the developing countries' use in their own interests of interimperialist contradictions and also their accumulated experience of anti-imperialist struggle requires more in-depth analysis.

Despite the noted shortcomings, A. Dzasokhov's monograph is undoubtedly a highly fruitful study, in which a scientific analysis of objective events and facts is successfully combined with the accurate and extensive descriptions and observations made by their active participant and witness. This lends to the work a particular coloration, enhancing appreciably the significance of the judgments and conclusions contained therein. Written in the spirit of recent party documents, the book is distinguished by a creative, unstereotyped approach to the complex problems in question and charts ways of their possible solution. It will, we hope, be greeted with interest by the readers.

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